# FINANCIALTIMES

stayed shut in Ohio, Page 14

The day the doors

No. 29,577

Monday March 18 1985

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#### World news

#### **Athens** fails to elect **President**

The Greek parliament failed in the first sound to elect Mr Christos Sartzetakis, candidate of Pasok, the ruling Socialist Party, as president of the republic.

of the repusion.

Mr Sertzetakis, a Supreme Court
indge, needed a two-thirds majority
in the 300-member parliament to get into the first of three rounds of voting, but only 178 MPs voted in

The result was disconcerting for the Government because it fell shork of the 180 majority that would suffice to get Mr Sartzetakis elected in a third round on March 29.

#### Hijacker shot

A lone hijacker who seized a Sandi Arabian Boeing 737 airliner over Riyadh was shot dead by a security guard aboard the aircraft, the Gulf News Agency reported.

#### Belgian protest

Anti-nuclear campaigners held a rally in Brussels and called on the Belgian parliament to throw out the Government for having installed cruise missiles.

#### Missile offer

A Dutch farmer offered the Soviet Union his land as a site for SS-20 rockets should the Netherlands decide to deploy cruise missiles.

#### **EEC opposed**

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The Liberation Movement for the Canary Islands said it opposed Spain's policy of making the islands and two Spanish enclaves in Moroc co part of the EEC.

#### Tough expectations

Nigel Lawson, UK Chancellor of the Exchequer, is expected to present a tough budget tomorrow, emphasising the need to control inflation and attain financial targets. Page 6

#### Pretoria budget

Barend du Piessis, the South Afri-can Finance Minister, will present what is widely considered to be the

#### Price freeze

China published guidelines aimed at halting unauthorised price rises. The country is switching from strict central planning to a form of market economy.

#### Police drug ring

Six police officers in Sydney, Australia, are to be charged in relation to the alleged-resale of A\$750,000 (\$521,000) worth of seized cannabis.

#### Police chief quits

A police chief in the porthern Spansh city of Leon resigned after 300 of his men held a sit in at their barracks to demand his dismissal, accusing him of "intolerable mistreatment and coercion" against them.

#### Algarve clampdown

Portugal is to increase police pa-truls and use a helicopter to combat crime in the Algarve region, a popular fourist area.

#### Accord revived

The Nkomati accord signed between South Africa and Mozam-bique a year ago has taken on a new lease of life after high-level talks between the two sides. Page 2

Meningitis outbreak More than 250 people died in an ep-identic of meningitis that has swept ARGENTINA agreed to continue

parts of northern India. Singapore chief ill

Singapore's President Devan Nair is responding slightly to treatment in hospital for a serious liver condi-

#### Cycling record

18

13 12 14

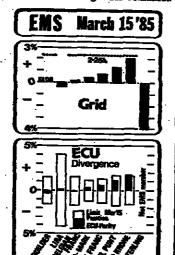
Anstralia's Dean Woods broke the world record for the 4,000 metres cycling with a time of 4 min 34.653

#### Business summary

#### Gandhi to introduce major tax cuts

MR RAJIV GANDHI, the Indian Prime Minister, introduced major cuts in personal and corporate taxaton and a wide-ranging relaxation of industrial controls in an attempt to stimulate investment. India is heading for a near-record budget deficit of Rupees 33.49bn (\$2.57bn) for 1985-1986. Page 2, 16

EUROPKAN Monetary System:
Trading was rather confused within
the EMS last week as the dollar
tended to fluctuate sharply. The
West German Bundesbank left its key lending rates unchanged de-spite speculation that renewed dollar strength would prompt a rise in rates. The Dutch guilder remained



the weakest currency, followed by the Belgian franc, although both were well within their divergence limits. The Danish krone was the strongest member; followed by the Irish punt. The Italian lira lost ground to be placed just above the Belgian franc and Dutch guilder.

The chart shows the two constraint

The chart shows the two constraints on European Monetary System exchange raise. The upper grid, based on the weakest currency in the system, defines the cross raises from which no currency (except the ling) may move more than 2% per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currency con currences.

TOKYO share prices rose in Saturday's half-day session, despite Wall Street's retreat. The Nikkei Dow market average rose 19.35 to

ARBED, the Luxembourg steel company in which the Grand Duchy's government has a minority stake, reported a LuxFr 645m (\$9.5m) net profit for 1984 against a LuxFr 2.4bn loss previously. The profit is the first for 10 years. Page 19

BRANIFF, the U.S. airline which was rescued from bankruptcy last March lost \$86 5m in its first year of operations, but its results in recent months have been improving

rapidly. Page 19 VNKSHTORGBANK, the Soviet foreign trade bank, is set to launch a £75m seven-year credit, believed to be its first publicly syndicated credit in sterling, through Lloyds

Bank International. Page 17 SOUTH African Associated Newspapers reported an operating loss of R8.8m (\$4.4m) in 1984, against a R9.6m profit previously, after fail-ing to stem losses at the Rand Daily Mail, which is to cease publication.

PLASTICS prices across Europe are

rising sharply after a long period of decline. Supply shortages are allow-ing producers such as ICI, Shell and BP to push through increases of 10 per cent and more. Page 16

debt talks without breaking off relations with the IMF, although it has apparently failed to meet targets projected in a standby agreement

UNITED Gulf Bank, a Kuwaiti controlled Bahrain offshore bank-ing unit, reported a consolidated loss of \$5.4m for 1984 against a profit of \$24.2m for 1983. The directors are seeking permission from the Bahrain Monetary Agency to separate UGB's banking and investment activities. Page 19

### Fed in emergency talks over Ohio savings banks

BY PAUL TAYLOR IN CINCINNATI AND WILLIAM HALL IN NEW YORK

U.S. FEDERAL bank regulators. commercial bankers and Ohio State officials were still locked in emergency negotiations yesterday seeking a quick solution to the savingsbank crisis that has engulfed the Mid-western state. However, as talks continued throughout the weekend, doubts were increasing that the 71 local savings banks

would be permitted to reopen today.
Since Friday morning when Mr
Richard Celeste, the Governor of
Ohio, ordered a three-day "bank holiday" to stem a run on the \$4hn deposits of Ohio's 71 state chartered savings banks, officials have been working round the clock. Their aim has been to reopen the banks today and to alleviate the growing hardship being felt by more than half a million savers whose money has

been frozen. Ohio's move, thought to be the first in which a state has ordered such an extended "bank holiday" since the 1930's great depression, has already sent shockwaves through the U.S. financial system and might cause further nervous-ness in the U.S. financial markets if the savings banks fail to reopen to-

The crisis has underscored the cials hope that by reopening the books of the thrifts to discover

ow the foreign creditors of some

Senior Mexican financial officials

said the plan to lighten public sec-tor companies' debt burden is part

of a wider effort to enforce much

stricter controls on public spending

and to reduce the country's budget

The companies affected are likely

to include Conasmo, the state food

production and distribution company, Fertimex, the state fertiliser ompany, the railways and electrici-

ty board, and possibly the Mexico City administration, the DDF.

In return for having their debts

wholly or partially written off, these companies will be obliged to

stick to agreed financing and per-

formance targets. These will be re-viewed by inter-ministerial teams

every two weeks at director-general

lebt into equity.

deficit.

banks as quickly as possible, it may restore confidence among the small depositors and prevent the panic withdrawals from spreading.

Such concerns spurred hundreds of federal bank examiners to descend on Ohio at the weekend in an attempt to contain the crisis, something they still hope to achieve. Several options are being looked at, including the extension of federal deposit insurance coverage to the closed banks, and a takeover by either a big money-centre bank or a

local bank consortium. Nevertheless, after almost 48 Celeste told reporters that there had been little progress. Governor Celeste said he could give no guarantee when the savings has been badly affected by the col-

banks would reopen. The 44-year-old Ohio Governor, ure in the race to rescue the banks, said: We are doing everything to get them open as soon as possible." However, he added that the savings banks would reopen only at a point

"where we have confidence that

they can command the confidence

Among the principal develop-The crisis has underscored the wilnersbillity of the U.S. banking About 200 federal bank examinsystem to unexpected shocks. Officers arrived in Ohio to pore over the

Mexico to absorb part

ly monitored performance.

The Government is also considering an unprecedented scheme to aldises Mexico City public transport.

Subsidy window for feeding the poor, while the DDF heavily substitutes an unprecedented scheme to aldises Mexico City public transport.

Subsidy window for feeding the poor, while the DDF heavily substitutes an unprecedented scheme to aldises Mexico City public transport.

public sector companies to convert tion is sharply to reduce fiscal duction of the public sector borrow-

by a full 2.7 per cent of GDP, partly

18 per cent in 1982, the year of Mex-

3.5 per cent agreed with the Fund.

The debt write-off move comple-

came an issue between Mexico and nies; and

the IMF in the drawn-out negotia- • the recent introduction of a so-

tions on this year's letter of intent called "compensation cabinet," con-

on Mexico's austerity programme, expected to be signed shortly. Last year's deficit is put privately by officials at around 7.4 per cent of GDP, passed on as net sums, after credi-

down from 8.7 per cent in 1983, and tors and suppliers have been paid.

ico's financial crisis. The target in low foreign creditors to capitalise this year's budget was set at 5.1 per loans to some public sector compa-

cent, against the original target of nies is likely to inflame nationalist

ments an existing scheme designed as last year's return of 339 compa-by the Bank of Mexico to protect nies held by the nationalised banks

private dollar debtors from ex- to former bank shareholders.

of public sector debt

of depositors."

whether, and under what conditions, they would be eligible for federal insurance. The 71 savings banks were covered by a private, state-backed insurance fund, the Ohio Deposit Guarantee Fund (ODGF), whose reserves have been seriously depleted by the collapse of Home State Savings and Loan, its biggest member, 10 days ago. Negotiations continued in an at-

tempt to find a buyer for Home State, the \$1.4bn Cincinnati savings bank that was forced to close after the collapse two weeks ago of CSM Government Securities, a small Florida bond dealer. Home State is owned by Mr Marvin Warner, aged had been knocked out. 67, whose financial empire stretches from Florida to Ohio and

lanse of ESM Government Securiwho has emerged as a central fig- Ociticorp, America's biggest banking group, flew in a team of officials examine Home State's books ahead of a possible rescue attempt Meanwhile, the Ohio State Senate stood ready to convene an emergency session, should changes in state banking laws be required to facili-

> Continued on Page 16 The day the doors stayed shut, Page 14; Flight to quality, Page

er, the inten- cit financing system, with the intro-

#### Iranian advance threatens to sever key route

By Roger Matthews, Middle East Editor, in London

IRAQ and Iran both reported con-tinued fierce fighting yesterday in what seems certain to prove one of

Iranian forces are battling to conoutstanding issues by today. olidate their 25-kilometre advance into Iraq which is threatening to sever the main road from the capital, Baghdad, to Basra, Iraq's second largest city.

Iraq admitted yesterday that Ira-nian troops had briefly crossed the Tigris river, which runs just east of the road, but claimed that the advance was being thrown back in a series of counterattacks. A military communique from Baghdad said two Iranian bridges across the river

The intensified land war was accompanied yesterday by further at-tacks on tankers in the Gulf, air strikes against major cities and a varning by Iraq that civil airliners which enter Iranian airspace could be at risk.

Iran launched its offensive a week ago using helicopters and amphibious craft to penetrate the marsh area north of Basra in what seemed initially to be a probing at-tack. But the success of the advance encouraged Iran to pour in additional troops and intensified speculation that it might be preparing for what it has termed the "decisive

The loss of the main road to Basra would be a serious blow to President Saddam Hussein of Iraq, who can be expected to use every weapon at his disposal to force the Iranians to withdraw.

Iraq claimed yesterday to have killed 15,000 Iranians on Saturday alone. Iran put Iraqi losses at 7,000 since the offensive began. Both sides are also saying they have taken large numbers of prisoners. In the Gulf, the Liberian-registered tanker Carbibbean THE MEXICAN Government is to tary level and quarterly by the latest in a series of moves to reorga-

Breeze, 109,752 gross tonnes, was take over part of the domestic and foreign debt of loss-making public sector companies, which in exchange will have to submit to strictattacked early yesterday by an Ira-nian aircraft 16 miles north of Halul Island, east of Qatar. The vessel loaded with 1.8m barrels of Kuwaiti crude oil, initially caught fire but the blaze was later extinguished. At least 10 of the crew were hurt in the master.

transfers to the public sector, where spending last year exceeded targets strengthened role for the Bank of Irac said its aircraft had hit "two arge naval targets" south of Kharg Island, Iran's main oil terminal because of higher interest pay- ● February's 250bn peso (\$1.25bn) There were indications that a tankspending cuts and divestiture of 238 er and a supply vessel may have been hit but there was no immedi-The size of the public deficit be- "non-strategic" public sector compa-

ate independent verification. Iraq has also kept up its bom-

Continued on Page 16

the decisive battles of the 53 month old Gulf war.

The meetings came after the

Policy (CFP). the presidency comprom
This is the problem regarded as poses a review after 1992.
the toughest remaining on the West Germany appear widely acceptable to the ten.

years of membership.

Ecu 1bn (\$648m) in 1986 – about 85 tions. per cent of its Vat-based contributions - with steadily declining lems on the social affairs dossier amounts over the following five because of concern at the possibiliyears. Portugal would get a 50 per cent rebate in the first year and thereafter be considered a net bene-bour markets in Gibraltar. ficiary if the proposals are ap-

internal discussions are attempting an unsaleable surplus.

#### Andreotti calls for final EEC entry stance

BY QUENTIN PEEL IN BRUSSELS

spell out their final positions for the

He beld a series of gruelling bi-lateral "confessionals" with fellow foreign ministers seeking last minute concessions on the key areas of fisheries, agriculture and social affairs which still have to be resolved. with the applicant states.

presentation by the Italian presiincorporate the huge Spanish fishing fleet into the Common Fisheries

table. Officials were hopeful last night that the compromise would be

tions by the European Commission on the financial package to be offered Spain and Portugal to ensure that they are not net contributors to ing teams this morning to present the Community budget in the first the EEC position with a deadline of

SIG GIULIO ANDREOTTI, the Ital- to knock into a more acceptable ian Foreign Minister, yesterday package for Spain and Portugal. called on his EEC colleagues to The fishing proposals, however, are relatively close to the hard-line membership negotiations with position of the five leading fishing Spain and Portugal. He is seeking nations — Britain, Denmark, to draft a community package on all France, Ireland and West Germany which are determined to prevent

their own fleets being swamped by

Spanish boats. They suggest that Spain should be allowed access only to the waters where its boats already fish - essentially north and west of Britain and Ireland but excluding the "Irish box" of waters immediately around Ireland, and in the Bay of Biscay dent of the EEC Council of Minis-although with improved quotas and ters of a new document on how to licences, for the same fish species. The deal would last for the remaining 17 years of the CFP, although

West Germany appeared last night to be taking a less tough position on the issue, than the other four fishing states, with officials ex-At the same time the ministers pressing concern that the package were presented with initial calcula- would still be completely unacceptable to Spain. Sig Andreotti is due to meet both

Spanish and Portuguese negotiat-The figures suggested that Spain is supposed to be the final round in should be reimbursed more than the extended enlargement negotia-However, Britain still has prob-

ty that after accession Spanish workers' families could flood the la-France and Italy still have worproved. ries about the agricultural exports:

The commission's calculations of Spain, while West Germany fears take into account the tough terms that the proposed regime for olive

being put forward by the present oil will be too generous, allowing ten EEC members which the latest yet another farm sector to produce

#### Right continues to gain in France

BY PAUL BETTS IN PARIS

THE SHIFT to the Right in the left is how French electorate was confirmed to about 10 district councils. last night in the second round of The first computer forecast cantonal or local elections involving showed a very modest improve-about 12m voters or roughly a third ment by the left-wing parties in the last night in the second round of of the French electorate.

8pm. The right is hoping to capture compared with the vote in the first at least 15 district councils from the round in these areas. left to confirm its success, while the

can help you with yours.

Only someone on the right course

second round compared with the The right had already captured first round last Sunday. The left three new district councils in the saw its performance improve by a first results after the polis closed at meagre 1.5 per cent in 1.200 cantons

Continued on Page 16

#### evel, once a month at under-secrechange rate fluctuations. It is the

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

Exploratory talks will take place this week in London between Mr John Huber, a senior official of the U.S. Securities and Exchange Commission (SEC), and representatives

terest by foreign corporations in raising debt and equity finance in

BRITAIN, the JUS. and Canada are London and Wall Street markets • The possibility of reciprocity. considering ways to standardise highlighted the growing trend toprocedures for securities issues to wards multinational share offermake it easier for companies from ings. They also exposed, however, these countries to raise finance in the different standards on disclois for a "common prospectus" that exist in the UK and the U.S...

Exploratory talks will have.

sion document as the basis of talks with the UK and Canada, the two countries which are most deeply involved in the U.S. capital markets, and whose practices most closely parallel its own. The points for discussion will in-

 Disclosure of information about Telecom and Reuters on both the Accounting standards:

simultaneously with a single offer

# common terms on share issues

of London markets. the SEC because of the growing in-

distribution; Last year's flotation of British the issuer of securities:

common prospectus which meets disclosure requirements in all coun-tries and would therefore save issuamount of paperwork. This would enable a flotation or a rights issue to be mounted in three markets

The more tentative scheme to al-

sentiment, which strongly opposes

the divestiture programme as well

The SEC accepts, however, that the UK and Canada have standards that are less rigorous than its own and may not be willing at this stage to force companies to reveal more about themselves. It is therefore proposing that foreign registration statements be acceptable in the U.S. so long as their deviations from U.S. standards are clearly

# Britain, U.S. and Canada seek

these countries to raise finance in

The initiative for trying to harmonise issuing practices was taken by

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#### Companies ..... 19 World Trade ..... 4 Companies ..... 20 Lombard ...... 15

CONTENTS

Int? Capital Markets ...... 17-19 Letters...... 15 Men and Matters ..... 14 Wall St..... 26 

India: a welcome for tax U.S. savings: the day the Technology: the glued, light- Lombard: UK supply-side Management: unbowed at British Shipbuilders: glimpse Caterpillar Tractor ..... 12 of daylight ...... 15 Editorial comment: trade Int'l Capital Markets: with east; UK investment 14 Survey ...... Section III

# India welcomes tax incentives

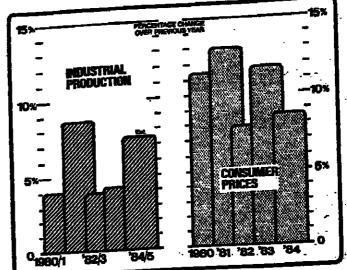
MAJOR CUTS in personal and corporate taxation were intro-duced at the weekend in India's annual budget, which forecast a near-record budgetary deficit for 1985-86 of Rs 33,49bn

The taxation cuts reduce the number of income tax payers in India's 700m population from 4m to 3m by raising the

Corporation tax is cut by 10 per cent to 15 per cent at the start of three years of gradual reforms. Wealth tax has been and death duties

The cuts are partly aimed at encouraging industrial investment and faster growth and at curbing the country's booming black economy by reducing or removing targetien that encourremoving taxation that encourages avoidance. The measures were widely

welcomed yesterday as the most dynamic incentive for change introduced in India for many years but the size of the budgetary deficit drew criticism budgetary deficit drew criticism from economists and opposition politicians, who feared it would be inflationary. Some economists suggested it was larger than would have been allowed by the International Monetary Fund if its SDR 5bn (\$5.23bn) arrangement had not been terminated by India last year. The total forecast for March 1985 to March 1986 is only slightly lower than the current year's record deficit, which is estimated at Rs 33.98bn. This estimated at Rs 33.98bn. This is itself almost twice the Rs 17.78bn envisaged in last year's budget. Mr S. Venkataramanan, per-



manent secretary in the finance manent secretary in the finance ministry, yesterday said that neither the deficit nor the over-all budget would have an inflationary impact. The planned deficit was "within manageable limits"

limits."
In his budget speech on Saturday evening, Mr Vishwanath P. Singh, Finance Minister, admitted the deficit for the past year was "higher than ideally I would have liked." It had been mainly caused by state covernments' liked." It had countries caused by state governments' financial problems, public sector losses and increased defence

would have to be curtailed.
But he hinted at a possible slight relaxation in the stern attitudes of the Indian finance attitudes of the Indian finance ministry, saying: "It has been said that anyone who lives within his means suffers from lack of imagination. Not that I lack imagination; but I do not intend to let it run riot."

This is the first budget introduced since Mr Rajiv Gandhi became Prime Minister. Poli-

became Prime Minister. Politicians believe that it shows his Government has decided to use India's strong short-term economic base to build new policies

pared with 10 per cent a year earlier, and consumer prices were 4.4 per cent higher com-pared with 13.7 per cent. The overall growth in national income in 1984-85 is expected to be about 4 per cent and

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foreign reserves are imreasing.
"On the whole, the economy
is functioning well," Mr Singh
told the Indian parliament. Despite a shortage of funds for investment in the country's seventh five year plan which provides for expenditure of Rs76.8bn on defence. This dominates the budget it is only
7 per cent higher than the
actual expanditure this year but is 13 per cent higher than the Rs68bn included in last year's

sure, which has caused widespread surprise, is an increase
in the auxiliary duty on crude
petroleum to Rs300 a toune
compared with Rs100 introduced a year ago. A basic
customs duty of 10 per cent
was also introduced on petrol. the Government, is cathing in on its rapidly-increasing domestie oil production to help balance its budget. Oil produc-tion increased by 18hn tonnes in the past five years and is expected to exceed 29m tonnes

Government's attack on the black economy, said: "Those expenditure.

He was glad it had been absorbed by the economy "without any impact on prices." The deficit for the coming year of 5.2 per cent last month comparison. who continue to indulge in tar

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Sugayoshi Karose (center), Director and General Manager of the London branch, with his senior staff members.

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#### faces tough budget

S. Africa

MR BAREND du PLESSIS, the South African Finance Minister, today presents what is widely

considered to be the most important but difficult budget for He inherited an overheated

economy with spiralling govern-ment spending as a major inflationary factor from his predecessor, Mr Owen Horwood, and has already had to follow and has arready had to minow last July's rise in general sales tax from 7 per cent to 10 per cent with a supplementary budget last October.

President P. W. Botha has put his personal prestige and power behind Mr du Plessis who, at 43, is one of the youngest members of the Cabinet with little political clout of his own to enforce cuts spending ministries. The on spending ministries. The budget's top priority is expected to be ensuring that government spending does not rise beyond the 14 per cent inflation rate.

Earlier this month, President Botha announced the symbolic 3 per cent cut in the pay of MPs and ministers, a curb on civil service recruitment and a small reduction in bonuses for small reduction in donoses for civil servants whose 30 per cent salary increase last year had been widely criticised by the hard-hit private sector.

All departments have been told to make cuts, but the dif-ficulties of slashing ongoing programmes has been made ore difficult by new spending linked to the new tricameral constitution and the Government's reluctance to scrap expensive apartheid legislation and associated bureaucratic

Meanwhile, the private sector has warned against the dis-incentive effect of further increases in personal taxation following the reduction of tax concessions on company cars

#### Boost for Pretoria-Maputo pact

THE NKOMATI accord signed between South Africa and Mozambique a year ago appears to have taken on a new lease of life following high level talks between the two sides. At a press conference in

Pretoria over the weekend Mr Pik Botha, the South African Minister of Foreign Affairs, revealed that both governments had decided to recruit armed security guards to protect the power lines between Cabora Bassa and South Africa as well as rail and other comm links from attacks by bique National Res bique National Re (MNR) armed bandits.

The guards would not be re-cruited by the governments but by the Electricity Corporation Mr Botha said there was no question of either South Africa had not requested the use of South African forces for sec-

Mr Botha said Mozambique down a gang of counterfaiters Africa.

accepted denials of any lingering South African official support for the MNR. He revealed details of criminal bands and what he termed "an interwhat he termed national web of businessmen and financiers' financing the MNR.

Their intention was " to turn Mozambique into their own private economic preserve," he

He did not name the MNR's foreign backers but said that both the South African and pbique Gove<del>rnm</del>ents kn<del>ew</del> their identities. They operated from various Latin American and European countries whose ernments were also aware of what was going on. He called on these governments to help curb MNR activities "instead of just blaming South

feit \$100 notes and a wad of counterfeit R50 notes Mr Botha said that the police had tracked

the false notes to purcha ivory, diamonds, emeralds and prawns smuggled out of Mozain-bique to finance arms and other help for the MNR. Two of the counterfeiters had

escaped to a foreign country and South Africa would be seeking their extradition, he Mr Botha revealed that South

Africa had set up a network of radar stations along the border with Mozambique to monitor illegal low-flying aircraft and had offered a patrol boat to momitor the sea members of the South African armed forces who had been found to have connections with the MNR had been sacked.

Meanwhile, in Mozambique, the anniversary of the Nkomati Accord was marked by a power blackout in the capital Maputo as MNR bands again succeeded in blowing up the power lines bringing electricity from South

#### Mubarak to meet Hussein today

Egypt flies to Jordan this morn-ing—less than 48 hours after returning to Cairo from the U.S. and Europe—to report to King Husseln on his visit to Wash-ington and to discuss ways of moving forward their attempts to revive the Middle East peace

Mr Mubarak arrived back in Egypt on Saturday from in-conclusive talks with President conclusive talks with President Ronald Reagan and brief visits to several European capitals including London where he met Mrs Margaret Thatcher, Britain's Prime Minister.

The Egyptian leader, who is trying to revive the stalled peace process in co-operation with Minister.

eration Organisation delegation, Mr. Mubarak initially sug-perted that the joint Arab dele-

last mouth that as a first stage, there should be direct discussions between the U.S. and a joint Jordanian-Palestine LibTwo Israeli soldiers were killed and five others wounded when an Israeli Army patrol came under fire near the village of Jibchit, south-west of Nabatiya, in Southern Lebanon yesterday, writes Lyn Richardson in Tel weekend. Israeli

forces raided villages in Southern Lebanon, searching

gation need not include mem-bers of the PLO, but subse-

King Hussein, after a meet-ing with Mr Mubarak at Hurghada on the Red Sea on March 6, gave lukewarm endorsement to the Egyptian initiative.

On February 11, King Hussein reached an accord with Mr Yassir Arafat, chairman of the

PLO, on a negotiating strategy for resolving the Arab-Israeli

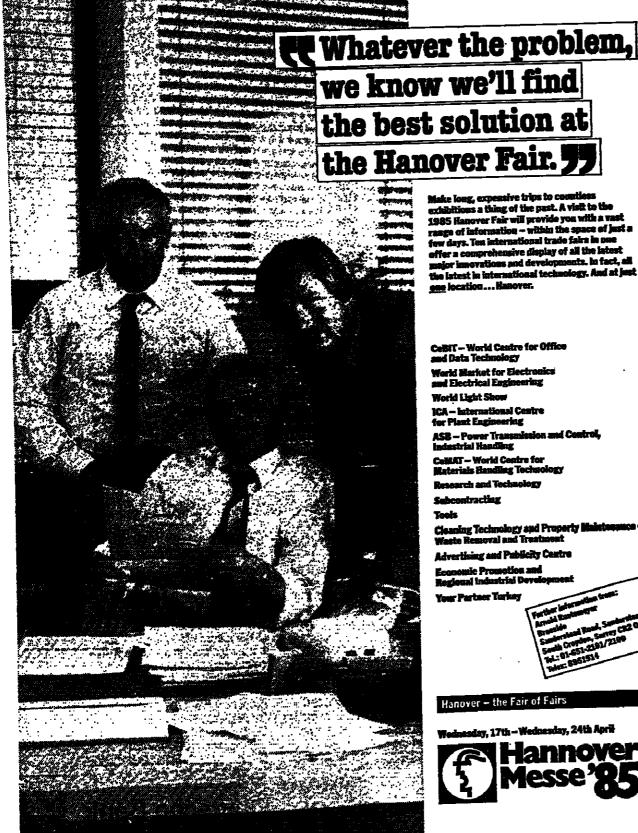
The accord calls for an inter-national conference on the Middle East and for a settlement based on United Nations and Security Council resolutions and plans put forward by Arab summits.

The Egyptian President, on his return at the weekend, dismissed suggestions that his visit to Washington had been a

reaction was negative or posi-tive," he declared.

While in the U.S., he had described the Administration's approach as "defeatist."

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THE IRISH Government is now of what would have happened the embarrassed owner of two had ICI gone under. The com-

will be larger than the present tentative forecasts. They will also be spread over many years as claims make their way through the legal process. This year's losses are estimated at 1£60m so the final figure could easily top 1£100m.

The only good to come of the state-owned Irish Shipping last year. Again, everyone agrees that the Government took the right decision but the move questioned the status of state-owned companies and the Government's attitude to foreign creditors. The only good to come

pany was bought three years ago

by Allied Irish Bank (AIB), Ireland's largest banking group, in an acquisition hailed as a use-

ful diversification into the wider

financial industry. The bank has already lost I£86m, or about a fifth of its total shareholders'

AIB might have survived the collapse of ICI had the Government not intervened, but its shareholders would have been impoverished and the bank

could have ended up in a foreign ownership. Twenty-five per cent of employer's hability insurance in Ireland and all its

export credits would have been left uncovered, and confidence in Irish financial institutions

could have been damaged irre-

There is already some uncertainty following the liquidation

of the state-owned Irish Ship-

of the state-owned trish Ship-ping last year. Again, everyone agrees that the Government took the right decision but the move questioned the status of state-owned companies and the Gov-

creditors. The only good to come

funds, on the venture.

loss-making insurance com-panles and the final bill to the

Irish citizen over the next 10 years could easibly top I£300m

(250.5m), Two years ago emergency legislation was introduced to take over the country's largest motor insurer, PMPA (Private Motorists Protection Association), when it became clear the company was incolvent. The

company was insolvent. The explanation then was that to do otherwise would have meant the

collapse of the country's car insurance market: the same legislation has been used again,

legislation has been used again, to prevent an even bigger disaster which might have threatened the stability of the Irish banking system.

If the PMPA experience is anything to go by, the final figures for losses at Insurance Corporation of Ireland (ICI), the subject of the latest rescue, will be larger than the present tentative forecasts. They will

(£255.5m),

#### Shultz lends weight to Reagan hint at superpower summit

BY STEWART FLEMING IN WASHINGTON

MR GEORGE SHULTZ, The U.S. Questioned about a press inter-Secretary of State, reiterated yes-view by the head of the Soviet del-Secretary of State, reiterated yesierday the Reagan Administration's egation to the Geneva arms talks,
view that the time is right for a Mr Shnitz expressed concern about
summit meeting between the U.S. Mr Shnitz expressed concern about
the dangers that the talks could be
chev, the new Soviet leader. But
when asked if the U.S. had received negotiations should take place as a
grissponse from Moscow to its suggrissponse from Mosco mit should be held, Mr Shultz said: served.

accession of a new leader in the Soviet Union and the commencement
so-called star wars programme to

to meet, Mr Shultz said.

The Pravda comments came after
Mr Shultz, questioned about U.S. Mr Victor Karpov, the chief Soviet concern over the apparent deployment of a "new" mobile nuclear missile by the Soviet Union, indicated that he saw the 10-warhead SS24 the understanding about the role missile as a molation of the Salt II missile as a violation of the Salt II of space weapons at the talks.

Arms control treaty (which the U.S. has been observing although it was never ratified by the Senate). But he conceded that the missile could be construed to fit within certain the construed to fit within certain treaty language as narrowly inter Party following the death of Mr preted by lawyers.

Konstantin Chernenko.

Not really."

AP adds from Moscow: The Soviet Communist Party daily paper Pravda yesterday accused the U.S. of contradicting the aims of the arms control talks in Geneva by pushing ahead with research into a space-based missile defence.

The authoritative newspeper also

presently in Geneva.

The authoritative newspaper also claimed that American officials are of a second term for President Reagan, for the two superpower leaders to meet. Mr Shultz said.

so-called star wars programme to make it appear more attractive to Americans.

The Pravda comments came after

obligations.

#### France and UK in talks on closer hi-tech ties

BY JASON CRISP IN LONDON AND DAVID MARSH IN PARIS

A TOP-LEVEL meeting of French likely to include where Europe and British electronics companies needs to meet competition, the best and government officials is to be strategies and how far it is sensible held in Paris this evening to encou- for countries to collaborate. rage closer co-operation. The meeting follows the recent The informal meeting is the re- failure of the French-inspired ef-

sult of an initiative by the British forts to agree reciprocal trade Government which wants to see agreements in telecommunications greater European collaboration in which resulted in bitter recrimina-

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the electronics industry.

It ions.

Mr Geoffrey Pattie, the British

British officials hope to avoid the Information Technology Minister, subject of telecommunications at and M Louis Mexandeau, the this evening's meeting and concen-French Telecommunications Minis- trate on computers and electronics. ter, will be at the meeting at the However, the French would like to

British ambassador's residence discuss joint industrial pro-The British industrialists at the grammes in videotex, cashless The British industrialists at the grammes in videotex, cashless meeting will be Sir John Clark, shopping (using the French-invent-chairman of Plessey, Sir Keineth ed smast electronic payment card) Cornelld, chairman of Stanfard and mobile telephones. Telephones and Cables (STC), Mr "Some of the British industrialists colin Southgate, a director of Thorn EMI, and Mr Philip Hughes of Logical Response of trading in France which, they argue, is particularly difficult for foreign-owned companies, Jacques Stern of Bull, the French There is also some scapticing as to computer group, and executives computer group, and executives the likelihood of real collaboration from Thomson, Compagnie Gen- between the two coun

erale d'Electricité and Cap Gemini The French have also been press Sogeti ing for some participation in Britalithough there is no formal agenda for the meeting it is understood to the fifth generation of computant the British hope to talk about ters. Mr Brian Oakley, head of the collaboration between the two coun- Alvey directorate, will also be at the tries in electronics and computing dinner. ICL, the British mainframe in order to meet the growing computer group bought last year by competition from the U.S. and Ja-STC, Bull and Siemens of West Germany are working together on ad-

The broad areas of discussion are vanced computer research.

Shultz to meet Gromyko

MR GEORGE SHULTZ, the U.S. confirm in the next few days secretary of State, is expected that he will be coming, Herr to meet Mr Andre Gromyko, his Soviet counterpart, in Vienna in The foreign ministers of Soviet counterpart, in Vienna in May during ceremonies marking the 30th anniversary of the signing of the Austrian State land, Lichenstein, Czechoslo-Treaty which formalised the vakia, Hungary and Yugoslavia have also been invited, as have the foreign ministers of Britain and France, two signaturiaes of the country of the country's occupation by the Allies and the Soviets after the war.

by the Allies and the Soviets after the war.

Herr Leopold Gratz, the Austrian Foreign Minister, said yesterday on television that Mr Shultz had accepted an invitation to attend the ceremonies on May 15. A similar invitation May 15. A similar invitation has been extended to Mr parts of the Austrian constitutions: Gromyko who is expected to tion:

#### Shamrock Summit agenda

of free trade and acid rain are expected to dominate today's "Shamrock Summit" between President Ronald Reagan and Prime Minister Brian Mulroney of Canada, Bernard Simon reports from Ouebee City.

Bernard Simon reports from Quebec City.

President Reagan's visit to Knebec City will be his first to Canada since March 1981.

His 24-hour stay will include the signing of formal agrements between the two agreements between the two countries on Pacific salmon fisheries, co-operation between law enforcement authorities, and modernisation of North America's air defences.

Canada is oressing the U.S. to curb acid rain and begin talks on dismantling remain-

talks on dismantling remaining trade barriers between the two countries, which are each other's largest trading narriers

President Reagan President Reagan is expected to make some conciliatory gestures on both fronts without denarting from the Administration's view that the acid rain issue requires more research, and that freer trade must also benefit U.S. exporters without interfering with Washington's multilateral trade obligations.

Opec to meet in Geneva this week

A special committee of the Organisation of Petroleum Exporting Countries will meet in Geneva this week to review the latest efforts to typocate freeling product of the countries of the countrie support fragile world oil prices by limiting production, officials said yesterday, Reuter

Members of the Ministerial Executive Council, headed by Sandi Arabia's Oil Minister Sheikh Ahmed Zaki Yamani,

Sheikh Ahmed Zaki Yamani, arrive today for talks on Tuesday, they said.
The council, set up during a turbulent Opec meeting in December, oversees the work of the organisation's so-called "production police," a team of independent auditors.
Oil analysts and traders have predicted for several months that the advent of warmer weather in northern

warmer weather in northern Europe would reduce the de-mand for oil and increase pressure for lower prices.

Attempts to reach cocoa price pact fail

Seventy countries which account for most of the world's trade in cocoa have failed in their third attempt to negetiate a new agreement on prices, delegates to their Geneva conference said yes-

terday, Reuter reports.

They attributed the failure to differences among producers on what price-support levels they considered might be acceptable to consuming

The conference was trying to draw up a new Interna-tional Cocoa Agreement to replace the current pact due to expire at the end of Sep-tember but which can be ex-tended for up to 12 months.

IMF may grant Chile more flexible terms

The International Monetary Fund and other lending organisations have tentatively agreed to more flexible terms for Chile, in the wake of the March 3 earthquake which left 146 dead and as many as 500,000 homeless, Chile's Finance Muister, Sr Hernan Buchi, said, Mary Helen Spooner reports from

Spooner reports from Santiago.
Sr Buchl, who returned from a round of meetings in Washington and New York, said the IMF had agreed in principle to increase Chile's fiscal deficit from 3 to 3.5 per

# **Trade tops**

THE CONTENTIOUS issues

#### The bulk of those losses were incurred in the London reinsurance market. Mr Gerry Scanlan, AIB's chief executive, said this weekend that the quality of underwriting in the London office was low and premiums were inadequate. There is little doubt that the from the ICI disaster may be the Government had little choice but recognition that, ultimately Irish for act as it did: even the financial institutions will be strongest Irish advocates of mar- protected by the resources of ket forces bank at the thought the state.

standing in temporarily for the President who is in hospital—Sr Neves said he was convinced Government austerity

inflation

In their own outline policy statements, the Ministerial economic team sworn in on Friday also stressed the austerity theme.

On the external front-of

expenditure and the combat of

Brendan Keenan assesses the impact of Dublin's insurance disaster

have the first opportunty today to make a judgment on

the rescue of Insurance Cor-poration of Ireland (ICI) by

the Irish Government and the

resulting write-off by its parent, Allied Irish Banks, of

I£90m (£76.69m). The Dublin

Exchange closed today for the St Patrick's Day holiday.

Senior executives of AIB were senior executives of AIB were yesterday working out details of the transfer of responsibility for ICI to the Government.

most concern to the country's creditors—the bank governor said the idea that trade sur-

The London Stock Market will what can be done to prevent a ICI fall—that Ireland also needs similar occurrence. A few to reform its system of few similar occurrence. A few months ago, AIB injected LE30m into ICI, apparently in the be-lief that this could be enough to restore profitability. Now the bank says it will sue ICI's former auditors, Ernst & Whinney, for at least I£100m. Ernst & Whinney deny responsi-bility and say they will contest vigorously any legal action.

The Government administrawhich must make estimates of again corts of claims running years debts.

That may be little consolation for the taxpayers and policy-holders: all Irish insurance pollcies already carry a 2 per cent levy to pay for the PMPA rescue and further burdens seem inevitable. The Government's determination to stick to its borrowing targets, albeit modified, means that some spending cuts or tax increases may be necessary to help meet the ICI losses.

The bulk of those losses were Certainly the Irish Government is pondering the problems of responsibility without power. particularly the power to find out what is going on inside major financial institutions. New legislation is possible to allow the Government to carry out its own independent checks on the affairs of banks and in-The bulk of those losses were surance companies, although it pointed out that the ICT London office actually came under the jurisdiction of

Insurers argue-although it perhaps, a little too risky.

Irish count cost of an industry's failures to reform its system of jury awards. They say the long de-lays and high legal costs of this seytem threaten the industry's profitabilty.

The most profound impact of the most profound impact of the rescue may fall on the re-lationship between the Irish banks and the Government. The two largest, AIB and Bank of Ireland, are Irish-owned; Ulster Bank and the Northern Bank are subsidiaries of Northern and The Government administrator of PMA also plans legal action against that company's former auditors, raising the question of whether conventional auditing techniques are adequate for insurance companies, again against possible

The Bank of Ireland has already warned that it is re-examining the risks of lending to small business: AIB, although it promises unchanged profits for this year, has been dealt a blow to its self-confidence from which it will not easily recover. It seems unlikely, in all the circumstances, that the Government can continue to expect the banks to pay the levies and provide the leading role in finan-cing industrial development. Bankers will be wondering if the fashionable expansion into Britain's regulatory authorities. the fashionable expansion into wider financial services is not,

#### Neves outlines austerity drive

BY ANDREW WHITLEY IN RIO DE JANEIRO

RIGID AUSTERITY in public cratic régime." spending was leid down yesterday as the keynolic of the new is to give special attention initially to slashing the fringe benefits available to public functionaries. Benefits are to be functionaries. Benefits are to be cut "to the essential minimum."

In their own outline policy

Sr Antonio Carlos Lemgruber, the new central bank governor, delivered a tough defence of the monetarist faith. "Economic growth will not come from attempts to expand global de-mand," he declared.

would be "a decisive factor for tion to a constitutional, demothe success of this great transi
The first lient.

Sr Francisco Dornelles, the said the idea that trade surnew Finance Minister, gave top priority to the control of public recession "is totally erroneous."

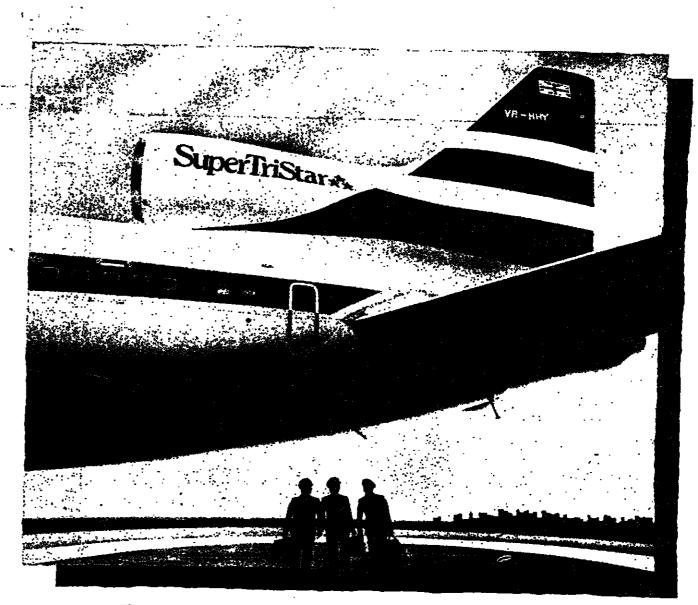
#### **Argentina and IMF set** date for further talks BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA and the Inter- on Saturday night, the Economy national Monetary Fund (IMF) Ministry tacitly accepted that

standby loan,
Argentina has agreed to the

have scheduled talks aimed at the IMF would not disburse the working out an agreement that would lead to the first disbursement from the IMF's \$1.4bn credit both sides had agreed to re-

Argentina has agreed to the talks although it has apparently failed to comply with the IMF's monetary and fiscal targets pronauted in the standby agree-



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the most convenient schedules in the Far East and more flights to, through and from Hong Kong than any other airline.

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Christer Shape-



#### Sindona trial breaks new ground BY ALAN FRIEDMAN IN MILAN

"IF, I EVER make it back to returned to New York State to tors which this country would serve the balance of his U.S. like to forget.

I will turn my trial into a circus. I will tell all."

Sig Michele Sindona, the Sichian financier and former Vatican adviser who was convicted to Friedry of Strumburgh.

These are mere technicalities, but Sig Sindona's return last September to Italy did set off a however; the true import of Sig political storm which led to a victed on Friday of fraudulent bankruptey in the 1974 collapse of his Italian banking empire.

did not quite fulfil this promise to embarrass prominent poli-But his trial, which ended with a 15-year prison sentence, is significant because it marked the first time in recent years that the acknowledged author of a major Italian scandal has actually had to answer for it.

It was also the 64-year-old Sig Sindona's first Italian conviction, having previously been witch the same of the affair. Sig Sindona, for his masons Lodge and its fugitive part, described Sig Andreotti grand master, Sig Licio Gelli, as "a friend." viction, having previously been convicted in New York of fraud and perjury in the 1974 collapse of the Franklin National Bank. In 1980, Sig Sindona was sentenced to a 25-year jail term in the U.S.; three months from now, he will face Mafia, the banned P-2 Free-masons Lodge and its fugitive grand master, Sig Licio Gelli, for the late Sig Roberto Calvi, chaïrman of the failed Banco chaïrman of the sailed Banco chaïrman o National Bank. In 1980, Sig Sindona was sentenced to a 25sindona was sentenced to a 25year jail term in the U.S.: three
months from now, he will face
a third trial, in Milan, on
charges of having ordered the
murder of Sig Giorgio
Ambrosoli, the liquidator of
Sindona's Banca-Privata.

Ambrosiano, Sig Sindona was accused a former chairman of
IRI, the Italian state holding
group, of having known about
(£130.8m) of state funds. Sig
Sindona, in doing so, disputed
the secretive and dark parastate which flourished in recent
decades. The rising generation

181. The Italian state holding
group, of having known about
(£130.8m) of state funds. Sig
Sindona, in doing so, disputed
the word of Sig Gluseppe
state which flourished in recent
decades. The rising generation
1960 to 1979, who has denied

These are mere technicalities, however: the true import of Sig Sindona's conviction lies in the fact that he is a quintessential representative of the sinister Foreign Minister underside of Italian society finally being brought to justice. On Friday the state prosecutor described Sig Sindona as being alleged ties to Sig Andreotti, several parliament of the state prosecutor described sig Sindona as being alleged ties to Sig Andreotti, several parliament of the state of "among the most dangerous criminal elements of Italian

Ambrosiano, Sig Sindona was accused a former chairman of

Amorosoli, the liquidator of state which nourished in recent decades. The rising generation leaded to lead to lead

ber to Italy did set off a political storm which led to a parliamentary call for the resig-nation of Sig Giulio Andreotti, Foreign Minister and a former

Sig Andreotti, condemned by several parliamentarians for his alleged ties to Sig Sindona, survived the resignation motion; but any prospects Sig Andreotti may have had as a potential

Apart from the Andreotti affair, Sig Sindona last month

anda <del>ana kalanda</del>n ing <del>Bandan</del>aka, ang minatan atawa ing mala

#### Argentina aims to boost trade with U.S.

PRESIDENT Raul Alfonsin of nology offered locally Argentina begins a six-day offi-cial visit to Washington today of Japan, But it had also sufaimed principally at improving fered from price controls and trade and political relations be a persistently high inflation tween his country and what, rate. during the Falklands war, be-came for many Argentices the that Standard Electric could be

the importance of the visit, as it comes at a time when Argentina's nascent democracy is still desperately in need of

It is the first official visit to the U.S. by an Argentine leader since the 1960s visit of President President Alfonsin will not shy away from such thorny issues as Central America, the Falklands, foreign debt and

nuclear policy.

It is hoped to see a renaisance in U.S. interest in investing in the resource-rich but economically - troubled South

The confirmation last week that ITT's Argentine subsidiary Standard Electric was planning withdraw from the domestic market has come as a sharp re-minder of the enormous diffi-culties facing potential U.S. investors trying to maintain a minimum level of profitability in Argentina's economic climate. With a turnover of some \$66m (£60m) and a workforce

New Issue March 18, 1985

Government officials have gone out of their way to stress the importance of the carrier withdrawal of withdrawal withdrawal withdrawal withdrawal withdrawal tine car market.

#### Investment code

The demise of the local subsidiary of the U.S. motor com-pany in 1979 suggested that, for all the public relations ex-ercised by the then military regime, the investment climate was not as bright as it seemed.

Theoretically, Argentina has a generously liberal foreign investment code which has been essentially untouched for years There is no discrimination against foreign capital except at times of foreign exchange shortages, like the present, when companies are advised to repatriate profits in bonds. In practice, however, U.S. company officials complain that

the new democratic government has not adequately defined the rules of the game "The political climate here is

still heated, and we continue to get confusing messages," com-mented Sr Federico Dodds, the of 1,400, Standard Electric president Argentina had partly fallen Chamber foul of the more advanced tech-Argentina of the American of Commerce in

ARGENTINE/U.S. TRADE STATISTICS 8.7 9.2 143 1,007 755 900 from U.S. 2,073 1,160

Source: U.S. Chamber of Commerce in Argentina

973

The Chamber's member-com anies account for some \$3.5bn investment stock or 40 per cent of total foreign investment. Sr Dodds is particularly wor-ried by reports that new legislation governing transfer of technology, export policy, and industrial promotion is being prepared by what, on balance, remains a highly nationalistic and anti-U.S. local parliament. "We need firm assurances that

the new laws will not be dis-criminatory," Sr Dodds said. While such caution may explain the absence of any substantial fresh U.S. investment since President Alfonsia took power, the outlook for bilateral trade does not look much

brighter.
The two countries have had a varied trade relationship in to evoid a price war with the

want to reach some as yet un-specified "comprehensive" a value basis have slipped steadily from \$2.3bn in 1980 to compromise arrangement on \$1.04bn last year. Argentine exports have been more turbu- subsidies lent, standing at \$696m in 1980, rising to \$10n in 1987, falling But U.S. farmers earlier this

year were presented with an sharply in 1983 then recovering unusual situation when Cargill, to \$900.2m last year. a leading shipper of American grain, purchased Argentine wheat for import to U.S. Despite the formation last year of a binational joint trade flower mills. commission, Argentines share

the common Latin American The move according to some complaint that U.S. protectionism is setting back their late action by the Reagan Administration almost at making ministration aimed at making export opportunities. U.S. grain export more com-petitive on the world market, to the detriment of Buenos U.S. business sectors claim that U.S. Argentine trade con-tinues to be distorted in Argen-to ti tina's favour because of high local tariffs.

Meat exports are another area where the Argentines are seek-ing greater "understanding" ing greater "understanding" from the U.S. As a result of Nevertheless, an increasing number of Argentine-based U.S. continued protectionism by the EEC and the loss this year of the profitable Soviet market to companies have managed to get round local import restrictions a more competitive Brazil. Argentina is once again look by dealing directly with other Latin American affiliates, and

ing for greater access to the American market But so far there seems to be little likelihood of Argentine meat exporters getting round the tough U.S. health standards with anything but boiled meat.

#### SHIPPING REPORT

#### Gulf tanker **business** stays slack

By Andrew Fisher, Shipping Correspondent

WITH MORE attacks on tankers as a result of continuing hostilities in the Iran-Iraq war, it might seem that rates should be set for an increase. But business has continued slack in the

Few bigs ships obtained busi-ness from the region last week. There has been plenty of inquiry, but there are still too many ships around for the amount of available business, despite the risks of operating in or near a war zone. "The ever-present problem of

excess tonnage availability still inhibits any firmer rates," E. A. Gibson Shipbrokers of London said. Over the past month, there has been a rise of nearly 2.5m tons in the size of the laid-up

For those VLCCs (very large crude carriers) which did find work in the Gulf, rates were hardly exciting. For a 240,000-ton cargo to the East, World-scale 24 was obtained. To the West, it was around World-

Government's The National Oil Corporation (BNOC) had little effect on the tanker market, which was divided about the likely impact

On the dry cargo scene, Denholm Coates reported that rates had shown some improvement on the Atlantic for Panamax-size ships (those able to go through the Panama

The grain rate from the U.S. Gulf to Continental Europe remained at around \$9.50 a ton, but the rates to Japan was Armer at \$15.75.

This improvement for large ships reflects a lack of such vessels available for the Atlantic as a result of unabated Soviet chartering as part of the Russian grain improt programme, In the Pacific area, Panamax levels were tending to drop.

#### AN APPEAL

A Lionel Robbins Memorial Fund has been launched to endow an annual lecture series and to provide research scholarships for young post-graduates in economics, the arts or higher education. £80,000 has been raised so far. Contributions can be sent to (and covenant forms are available from)

The Appeals Office London School of Economics Houghton Street, London WC2

#### Japan bid to influence **EEC** over Gatt talks

THE JAPANESE Government has appealed to the EEC to throw its weight behind a new round of trade liberalisation talks at the General Agreement on Tariffs and Trade.

A letter from Mr Shintaro A letter from Mr Shimuro
Abe. Japan's Foreign
Minister, has been delivered
by the Japanese Ambassador
to Mr Willy de Clercq, the
EEC commissioner in charge

of external relations.

It is clearly designed to influence the attitude of Community Trade Ministers who meet tomorrow to define their attitude to a new Gatt round, which is being pushed strongly by Japan and the

Wr Abe's appeal was couched in general terms, stressing the need for political commitment to a new round to reinforce the liberal trading system and emphasising the Community's influence over the attitude of

other countries.

There is a disposition in Brussels to see Japan as a stalking horse for the U.S. which is especially keen to see Gatt disciplines brought to bear on services trade and

high-technology commerce.
The EEC has already stalled a Japanese move to have a high-level meeting of preparation for a new round next July, with a view to starting negotiations early next year, which would suit the Reagan Administration. Generally, the EEC is approaching the whole matter cantionsly, not least because of divisions in its own ranks. The Commission has already urged on trade Ministers a list of conditions to be met by the international trading com-

round takes place.

These include agreement on an agenda which covers not only the sort of topics which interest the U.S., but also older issues such as import safeguards. On this point, Japan is agreed. Both sides accept the need for careful

munity before a negotiating

preparation.
But Mr de Clercq last week indicated that Japan should make certain its export policies are the same as its main trading pariners — presumably meaning it should not target exports in specific sectors. This should be a condition for a new trade

This reflection of a more generally widespread irritation with Japan's surplus on its trade suggests that Mr. Abe's appeal may have a Ministers.

#### **Soviet Union** 'not planning to join Intelsat'

WASHINGTON—The Soviet Union is not planning to join Intelsat at the present time, a spokesman for the International Satellite Consortium

A proposed memorandum of understanding that Inte-sat and the Soviet Union are now discussing contains "no talk about membership," St

Jose Luis Alegrett, Intelsat's Deputy Director, stated,

We do hope the agreement will eventually lead to
Soviet membership but that decision is up to the Soviet Union," Sr Alegrett said. The consortium's charter permits the Soviet Union to join at

any time. When news of a proposed agreement between Intelsat and the Soviet Union was and the Soviet Union was leaked last week, it raised speculation that the Soviet union was preparing to join. Intelsat, with headquarters in Washington, is a non-profit co-operative of 109 countries that owns and operates the clobal cotalities system used. global satellite system used for international communica-

tions. Yugoslavia belongs to Intelsat while nations of the Soviet Bloc operate Interspuinik, a smaller satellite

#### U.S. concern over French nuclear-plant talks with Israelis

BY DAVID HOUSEGO AND DAVID MARSH IN PARIS

sale of a nuclear power station sent to Israel in a deal which could for be worth \$3bn (£2.7bn).

Energy Minister, who visited Paris last week for talks on the purchase, is due to make a further trip to France in coming months amid signs that the Elysee Palace is placing con-siderable weight on steering negotiations through.

Israel has been considering the purchase of two 900 Mw pressurised water reactor generating plants, but still has not made a final choice over whether to opt for a nuclear or coal-fired station.

The prospective deal is causing concern in the U.S. both over the cost—which is thought over the cost—which is thought to be far too high for the em-battled Israeli economy—and over the possibility that Israel could use the facilities to improve its capacity to make nuclear weapons.

Some French officials fear the issue could also damage France's relations with the Arab world. This is especially so because of strong sensitivi-ties about a previous French sale to Israel in the 1950s of a nuclear reactor and reproces-sing plant which were of crucial importance in building up Israel's bomb-making capa-bilities.

the French Framatome. nuclear reactor company, is keen to secure an Israeli order because of the sharp glow-down in ordering of new French Nplants and the highly depressed international market. Although Framatome officials say any Israeli deal could take

FRANCE is likely to run into up to five years to conclude U.S. opposition over a possible the company earlier this month and to visit a proposed site.

Mr Moshe Shahal, the Israeli Israeli diplomats said after M Shahal's visit last week doring which he saw M Laurent Fabuis, the French Prime Minister, that some advance had been made over the N-plant order. An Israeli diplomat said Israel was seeking credit terms 'as generous as possible."

The U.S. is warily watching the Franco-Israeli negotiations. Agreement on a sale would counter U.S. efforts to ban sales by Western suppliers of nuclear equipment to countries which io not allow full international inspection of their nuclear military use

Israel, which has not agreed to the non-proliferation treaty, has never carried out a nuclear explosion or proclaimed openly weapons-making ability.

The U.S., however, believes that the country probably since the 1970s has had the capacity to build a small nuclear assenal, using plutonium produced from the previous French-supplied reactor at Dimona, which has been operating since 1963.

The idea of supplying a nuclear plant to Israel was first discussed when President Francois Mitterrand pald a state visit to Israel in 1982. Negotiations were pursued when M Shimon Peres, the Israeli Prime Minister, visited Paris at the end of last year.

Ironically, M Peres, as director-general of the Defence Ministry, played a key role in securing French agreement on the Dimona reactor.

#### UK ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION

•	-	-		OVEL
n. <b>18</b> 5	Dec. '84	Nov. '44	jan. 184	year previou
66.4	145,9	165.0	158.5	+ 51
ec. <b>'84</b>	Nov. <b>184</b>		Dec. 33	
00.2	102.3	103.4	77.7	+ 0.5
100.9	.181.7	102.9	100.2	+ 0.7
97.6	75.0	96.6	93.7	+ 41
00.4	191,7	101.7	98.4	+ 2.0
03.4	103.3	102.5	104.7	- 1.2
y. <b>34</b>	Oct. 34	Sept. '84	Nov. 43	
76.7	120.2	174.7	109.0	+18.7

102.8 Source (except U.S.): Eurostes

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#### Tough budget will limit scope for tax cuts

dollar could greatly reduce govern-

in UK interest rates at the turn of

Acceleration of the inflation rate

this spring which will mean that

rise by more than the Treasury was

5% per cent compared with the Treasury's November forecast of 4%

It is likely that the Chancellor

ns and other benefits will

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

nancial targets will be unveiled by scope for tax cuts this year has Mr Nigel Lawson, the Chancellor of been limited by: • The continuing cost of the min-

the Exchequer, tomorrow. His plans will be based on a com- ers' strike, which may add up to paratively small overall tax cut and £500m to public borrowing in will make no concession at all to 1985-86; those who have urged a "budget for • Uncertainties about oil prices jobs" at the expense of inflation tar- and the dollar: a sharp fall of the

Instead, Mr Lawson is likely to ment revenues from the North Sea; emphasise the need for moderate • Increasing government debt inwage settlements to make room for terest, partly as a result of the rise trolled. higher employment, while announcing a series of measures to in- the year, and the extra borrowing crease incentives and expand job- to cover the costs of the miners'

creating schemes. His overall scope for tax cutting is likely to be put at less than the \$1.5bn foreshadowed in his November autumn statement, even though Treasury estimates have suggested that he could have room for an overall adjustment of about £2bn.

However, one of Mr Lawson's priorities will be to convince the financial markets that he will be able to sterling and the rise in interest hit his borrowing target next year, rates in January. gencies. This target will be set at will increase his scope for reducing the end of the year, compared with point out, this represents a considerable tightening compared with the expected £9.5bn to £10bn this year (1984-85).

Although 5.

Although his general view of the

A TOUGH budget emphasising the economy will be optimistic, Mr however. They may have been need to control inflation and hit fi- Lawson is likely to say that his ruled out altogether in response to political pressures.

A major shift from direct to indirect taxation can be ruled out, partly because of Mr Lawson's anxiety about future inflation.

However, the Chancellor will probably sketch out his ambitions for tax cuts and tax reform in future years. These could be substantial if public spending and borrow-ing - and inflation - can be con-

This year, the main emphasis is likely to be on raising income tax allowances and thresholds by more than the rate of inflation. They will probably go up by 10 per cent with perhaps a similar rise in the child benefit.

Drink and tobacco duties are likeexpecting before Christmas. The ly to go up by last year's inflation May inflation rate could reach 5% to rate of 4% per cent with tobacco duties rising perhaps a little more. Mr Lawson is certain to be cauper cent. This reflects the slide in tious about raising any taxes which could feed through into this year's inflation rate. His forecast is likely to show inflation at 5 per cent by his 4% per cent forecast made in November. His estimate of economic growth is likely to be put at 3% per cent for this year, of which 1 impact of these revenue-raising percentage point represents reconsideas is likely to be relatively small, ery from the miners' strike.

#### Ford workers agree worldwide support for local disputes

140,000 Ford workers in 16 countries agreed yesterday to worldwide mutual support in the event of any

Mr Bernie Passingham, chairman of the first Ford world work-ers' conference, held in Liverpool, said he was confident that all plants

He said: "We have agreed that when our colleagues are in dispute we will not allow Ford to increase or substitute production elsewhere

There would be concerted pressure on the company to make agreements on the amount of domestic content in a car, Mr Passingham added, and there would be an intensified campaign to reduce working hours worldwide. The conference agreed to set up

close links between Ford plants in different countries, such as beween Ford factories in Bridgend and Valencia, Halewood and Saarlouis, and Cologne and its U.S. equivalent.

A central bank of information will be established to provide the

SHOP-FLOOR representatives of unions with international reports on Ford activities.

Delegates also agreed to form a "provisional workers' sub-commitplant being in dispute with its local tee on Europe", which will meet management. report to the next world workers' conference, which organisers hope to see held in 1986.

Mr Passingham, secretary of the would act should Ford try to close a Ford UK conveners' committee, factory in Europe on the ground of said shop-floor support for intercountry embargoes had been dem-onstrated when IG Metall, the West German union, had been in dispute over working hours. Ford had tried to import substitute parts from South Africa into the UK and the workers had refused to use them. "Obviously that will happen in-

creasingly if they try to do it again," Mr Passingham said. "I am not saying it will happen overnight, but we have laid the foundations." The unions did not accept that

there was overcapacity, especially since Nissan could see a potential for 200,000 extra cars by building in

All unions were repres the conference, including those for staff. Mr Passingham said his own union, the Transport and General

#### Up to 40,000 jobs may go in reorganisation of coalfields

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE NATIONAL Coal Board (NCB) has told its area directors to cut back hard on manpower in the next financial year. Some directors believe that, as a result, as many as 40,900 jobs could be lost in the next

12 months. At the same time plans to move many of the NCB's functions and staff from London to a new national centre in Nottinghamshire are expected to be approved by a board meeting later this week, with the appointment of new directors to the most senior posts directly below the

The board also expects to begin talks with all three mining unions reasonably soon, as the overtime ban - the maintenance of which prohibits normal working - contin-

The area directors were told last week to conduct an "exercise" in making as many mineworkers redundant as they could, while maintaining production targets. Initially this would merely be a paper exer-cise, but some directors have been told that the aims are real.

Area totals will vary widely and have still to be produced. Some directors believe, however, that the cumulative lists of closures completed or planned in the next year could amount to more job loss perhaps twice as many as the 20,000 mooted in the plans announced on

Secret fuel supply for steel

British Steel Corporation survived the year-long miners' strike partly with the help of secret coal shipments from Australia. These shipments, which passed through the Netherlands and Belgium in order to disguise their origin, were made in spite of the policy of order to disguise their origin, were made in since of one policy of Australian transport workers to prevent coking coal deliveries being dispatched to the UK, according to the TT International Coal Report. Much of the coal entered the UK classed as Dutch coal—al-

though no mines operate in the Netherlands.

Shipments from Australia to the Netherlands and Belgium ruse substantially last year with the Dutch taking 2.2m tonnes compared with 664.247 tonnes in 1983. The only blast furnace operator in the Netherlands, Dutch steel producer Hoogovens, claims that it purchased no more than 925,000 tonnes.

trigger the year-long strike.

These cuts, once implemented, would be effected if possible by means of voluntary redundancies. They would involve substantial reorganisation and redeployment of mineworkers in those areas where numbers of mines will close. Miners who wish to stay in the industry - and well over 20,000 of the 180,000 miners indicated during the strike they wished to leave - would be resecure future

At least 20 pits nationwide are on

March & last year to cut 4m tonnes of capacity. Those plans helped to be recognized the year-long strike. they are unlikely to survive un

There is however, confusion about the mechanism for closing pits where the union disputes closure. The agreement reached be-tween the NCB and the pit deputies union, Nacods, last October, lays down that all pits must go to a revised procedure modified to incl an independent element - but the quired to move to new pits with a National Union of Mineworkers is not party to this agreement and cannot, under the board's edict, enter into talks until the overtime ban-

'Buy British' test case

#### on N. Sea contracts

BY IAN HARGREAVES

£2bn development of its Gannett and Kittiwake fields.

The oil company is close to placing orders for conceptual design work on the platforms for the project which is expected to be one of the largest in the North Sea in the

With more than 200m barrels of several structures, the two linked relevant background to the case fields will require a series of platforms. Gannett-Kittiwake is expectionally in the early covered several years ago. ed to be in production in the early

It appears that the Government's Offshore Supplies Office (OSO), which administers North Sea develwhich administers North Sea developments, is using the field as a test opments, is using the field as a test John Brown, one of the UK comcase to enforce the pro-British procurement policies set out for the future in the terms of the current ninth round of licensing.

These terms state that oil companies applying for permits must fostering UK-based research and ing and W.S. Atkins. development and the UK design

U.S.-owned companies, such as Bechtel, Foster Wheeler, Fluor and Brown and Root have traditionally dominated the conceptual design field in the North Sea. In the past they have been assured by the OSO that they are defined as British for the purpose of Government pro-

arement requirements.

All these U.S. companies have 45,000 to 30,000 in 18 months. large resident UK staffs and some use the UK as an export base for ters have made it clear that they offshore technology and engineer-

The U.S. companies, however, gence of free-standing British-have been told by Shell that the owned engineering companies cap-OSO has pressed the oil company to able of providing an export base place a substantial part of the con- when UK oil production runs down ceptual design for Gannett-Kitti- later this century.

A ROW over the Government's wake with British-owned engineer"Buy British" policies for the North
Sea oil supply industry is taking companies are said not to have place around Shell's plans for the been Shell's first choice on commertial grounds. cial grounds.

We have always been considered British in the past but now they have switched the rules in the mid-

ny.

The OSO would not comment on the Gannet-Kittiwake negotiations, recoverable reserves, divided into but officials point to the ninth

Shell said it would be awarding four separate design contracts for the fields, worth around £15m in total, but would not comment on the

panies believed to have benefited from the OSO's intervention, confirmed that it had bid for some of the design work. Other bidders are Foster Wheeler, Worley Engineer

Bechtel declined to comment on the negotiations, but the company is typical of the large U.S. offshore engineering companies which are suffering a serious hiatus of work in the UK. The drilling boom stimulated by the 1983 budget has not yet worked through to become a field development boom.

Bechtel's workforce in the UK has fallen from over 2,500 in 1982 to 1,000 at present. Worldwide, the

In recent months energy minis want the next phase of North Sea development to foster the emer-

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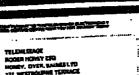
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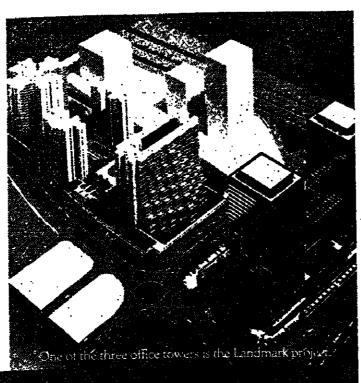
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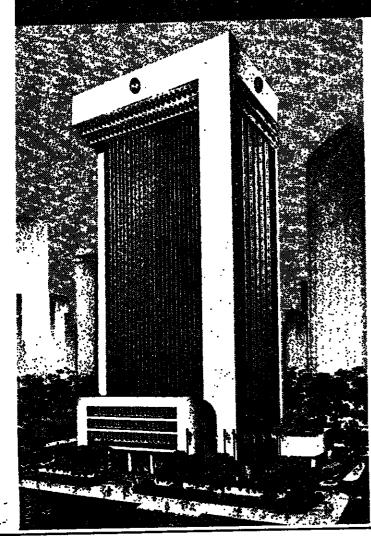
Light has long resisted cost-effective control The new Philips High Frequency Electronic Lighting System ends all that. In this fluorescent lighting system, Philips have replaced the usual

energy-draining ballast with an electronic circuit... with remarkable results. The Philips HF system slices through costs like a knife. Because it gives the same light for less watts.

In Jakarta, Indonesia, three highrise office towers will have a required light level of 500 lux average. Using conventional fluorescent lighting, the energy consumption would have been 20 W. per sq m. The Philips HF lighting will produce the same light level with



#### Imagine...light that slices through costs



only 10 watts per sq m. The cost-savings from both lighting and air-conditioning/ cooling (HF circuits generate less heat) will pay for this installation within two

The 30 storey Monetary Authority of Singapore building required lighting that could be controlled in energy costs and in brightness for both video display terminals and ledger work.

The new Phillips HF system is glarefree TBS300 luminaires provided the solution. The MAS will thus have the most energy effective office lighting in Singapore. The additional investment in HF tubes and gear will pay for itself within

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Sure sign of expertise in lighting



#### State shipyard poised to win £45m contract

BRITISH SHIPBUILDERS is on the verge of winning one of its biggest merchant ship orders: a £45m heavy-lift crane vessel to be built by the successful Sunderland Shipbuilders subsidiary for a UK owner. The order, to be placed by inter-

national Transport Management (ITM) of Middlesbrough, might be amounced this week. It would be bigger than the £40m contract recently won by Govan on the Clyde to build a hig North Sea ferry. The Sunderland yard, currently

building two sophis support vessels for Stena Line of den worth just over £30m each, topes also to convert an option for a third such ship into a firm order.

The expected contract from the

rivately owned ITM, which caused a furore two years ago when it or-dered a £10m cable-laying ship from South Korea, would bring state-owned BS's merchant order tally so far in 1985 to nearly £170m.

One in 10 of

self-employed

A GREATER proportion of the workforce is self-employed than at any time since 1921, according to

the Manpower Services Commis-

Last year's total of 2,465,000 self-

employed people was up 32 per cent since 1979 and represented one in

10 of the workforce, the MSC says

in its latest Labour Market Quar

The report suggests that the number of self-employed women has risen dramatically. Although it

was only 446,900 in 1981, within two

years it had increased 24 per cent

compared with a rise of 2 per cent in the number of self-employed

trends in long-term unemployment. During 1984, it says, the number of

more than 12 months rose by 11 per

cent and the number of jobless for

per cent to 429,000 - 13 per cent of the total. more than three years rose by 38

MSC Labour Market Quarters, Report, MSC, Moorfoot, Sheffield S1 4 PQ.

report also points to rising

terly Report, published today.

workforce

By David Brindle

warship yard on the Clyde. Both contenders in the £30m bid contest, General Electric Company (GEC) and Trafalgar House, said at the weekend that they hoped to hear soon from the Government. No decision has yet been taken, the Department of Trade and Industry

The ITM order is one of several that BS has been negotiating for some months. The Govan yard also hopes to win an order from Turkey for three bulk carriers worth up to

Mr Alfred Duffield, chairman and managing director of ITM, said:
The order is being done in recognition of the fact that British yards can only survive if they build specialist equipment rather than the chairman of the standard shire. scrambling for standard ships."

That is the policy that Mr Gra-ham Day, BS chairman since au-

Also expected soon is news of the turn 1983, has been pursuing in the successful bidder for BS's Yarrow face of the prolonged crisis in world down the group's heavy losses.

The new ITM crane-ship will

have special computerised dynamic positioning equipment to make it as versatile as possible for offshore use in deep and shallow waters, Mr

ITM, set up in 1976 and half-owned by Mr Duffield, an accountant who previously worked on Vickers's engineering side at Barrow-in-Furness, operates offshore vessels, rigs, crane and cable ships and has a £30m turnover.

The latest surge of merchant or-ders at BS should help the group to reach its goal of break-even in a lew years' time after trading losses of a record £161m in the financial year to March 31, 1984, and an expected £50m in the year about to end.

A glimpse of daylight, Page 15

#### Skilful marketing 'key to cable TV future'

HIGH QUALITY management and skilful marketing will ensure the success of cable television in the UK, a new report by City University

cable faces problems in the short term, but are "relatively optimistic"

The cable industry has a unique opportunity to exploit the growth and convergence of the home entertainment, communications and information markets. If managed skilfully, cable should play an integral role in the British way of life into the next century," the report, Marketing Cable Television in the

Market research for the report shows that core market for cable is the large and growing minority of British consumers who have already shown an interest in both video and home computers. The research carried out in Croy-

don south of London - one of the 11 areas chosen as pilot franchises in November 1983 - indicates that interest in cable is low in the over-50

prospects are households which are already high users of television with a head under 34, or middleaged parents with teenage children. The consultants say that because

cable will have limited appeal to some demographic groups "it will remain difficult to achieve average take-up rates beyond the 25-30 per cent level required to break even in a typical franchise area." The City team believes that the

tcome is not predetermined and the marketing and management skills of the operators will be the key to cable's future. Mr Brian Sturgess, leader of the team, says: This year is likely to be the year of opportunity for cable. The key to cess lies in a sophisticated marketing campaign designed to estab-lish strong identity for the different In a companion report, Financing

Cable Television, the consultants say that there are banks willing to finance properly structured and well-thought-out cable proposals.

Marketing Cable TV, £485; Financing Cable TV, £645 from SRW Publications, 3 Heads Mews, off Needlaam Road, London Wil.

#### **Employers** concerned about pay levels

By Michael Cassell

NO PAY explosion has occurred in UK industry during the present bargaining round but pay rates are still rising faster than in most other the Confederation of British Industry, the employers' organisation.

The CBI in its latest employment affairs report expresses continuing concern about the level of earnings time, the UK's rate of growth in productivity has slowed sharply, to lag sehind other competing countries.

The CBI says that unfavourable trends in the UK's international cost competitiveness have been dwarfed by the exceptional weakness of sterling against the U.S. dol-lar but emphasises that its performance is still at historically poor levels when compared with almost every other leading industrial nation. The underlying trends, it says, remain "extremely worrying

The confederation adds: "In any event, relying on a depreciating cur-rency provides no satisfactory or longer term answer to a failure to match, and then improve on, the cost performance of other coun-

Information collected by the CBI shows that most pay settlements 4.5 per cent to 7.5 per cent, in manufacturing and private services. An inability to increase prices, also low profits, remain the strongest-felt downward pressures in manufacturing-sector pay negotiations, with the cost of living the most widely quoted upward pressure.

The CBI reports that concessions

ma

on working time remain at histori cally low levels, with more than nine in ten manufacturing settle ments showing no change in the length of the basic working week. According to the CBI, the in in 1984, compared with 6.5 per cent the U.S. and 3.5 per cent in West Germany. While UK productivity growth in 1984 was less than half

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Notice of Redemption

TO HOLDERS OF

Walter Kidde Overseas Finance N.V. 5% Convertible Subordinated Guaranteed Debentures

Conversion Privilege Expires at the Close of Business on April 4, 1985

Pursuant to the indenture dated as of February 1, 1969, among Walter Kidde Overseas Finance N.V., Walter Kidde & Company, Inc. (now Kidde, Inc. ("Kidde")) and Chemical Bank as trustee, Walter Kidde Overseas Finance N.V. hereby calls for redemption on April 4, 1985, all of its outstanding 5% Convertible Subordinated Guaranteed Debentures Due 1989 (the "Debentures"). The redemption price is \$1,016.25 per Debenture, which includes a 4% redemption premium and accumulated interest of \$8.75 per Debenture to the redemp-

Debentures are convertible into Common Shares, par value \$1.25 per share (the "Common Shares") of Kidde until the close of business on April 4, 1985, at the rate of \$31.57 for each Common Share.

On February 25, 1985, the reported closing sale price per Common Share on the New York Stock Exchange Composite Tape was \$35.00. Between January 1, 1984 and February 25, 1985, such sale price per Common Share ranged from \$26.25 to \$36.75. As long as the market price of the Common Shares exceeds \$32.08 per share, Debenture holders, upon conversion, will receive Common Shares of Kidde and cash in lieu of fractional shares with a greater market value than the cash which they would receive upon redemption of their Debentures.

Payment of the redemption price will be made by Chemical Bank, New York, as paying agent, or by the other paying agents named in the Debentures, upon presentation and surrender of the Debentures to be redeemed with all coupons maturing after April 4, 1985. No interest shall accrue on the Debentures on and after such redemption date.

Debentures may be surrendered for conversion or redemption at the offices of the following paying agents:

**Chemical Bank** 55 Water Street New York, New York 10041

Chemical Bank House London WC2R 1ET-England

S. G. Warburg & Co. Ltd. 30 Gresham Street London EC2P 2EB, England

Societe Generale de Banque Montagne du Parc 3-B-1000 Brussels, Belgium

Commerzbank AG 32-36 Neue Mainzer Street 6000 Frankfurt, Germany

Banca Commerciale Italiana Direzione Centrale Titoli Estero Dept. Piazza della Scala, 6 20121 Milano, Italy

Banque Nationale de Paris 16 Boulevard des Italiens Paris 75009, France Amsterdam-Rotterdam Bank NV Herengracht 595

Amsterdam, Netherlands Banque Generale du Luxembourg, SA

Kidde, Inc.

P.O. Box 1220

27, avenue Monterey & 14, rue Aldringen P.O. Box 1906, Luxembourg Questions concerning this notice should be directed to:

Attention: Secretary Box 5555 Saddle Brook, New Jersey 07662, USA Tel: (201) 368-9000—Telex 134-251 Walter Kidde Overseas Finance N.V.

Date: March 4, 1985

Holders of the Debentures presenting Debentures for redemption to the New York paying agent will be required to comply with the Interest and Dividend Tax Compliance Act of 1983 on or before the date of such presentation.

#### Pre-budget equity boom for property developers

BY WILLIAM DAWKINS

Scheme's (BES) tax incentives.

Eight such ventures reported last week that they had beaten their

Mr John Dodwell of Chancery Securities, which by Friday had raised just over £560,000 for Grosvenor Terrace Developments, as against a minimum subscription of £400,000, said: "Applications are coming in faster than we can record

One property venture, Lockton Developments, had to issue an exinvestors' demand. Originally, Lockton was seeking to raise a maximum of £7.5m.

Mr William Wallis of Guinness soring Lockton's offer for subscriping into a pooled fund."

INVESTORS appear to be rushing Fears that the Chancellor might to take advantage before tomor-row's budget of the current wave of the BES tomorrow are also believed property companies offering equity to have contributed to the rush of under the Business Expansion property ventures raising BES

Palmerston Property Developments, which by the end of last week had raised £2m as against a £500,000 minimum subscription, is offering a beat-the-budget service for last-minute investors. Prospectuses will be available throughout the country today at the offices of Savills, the surveyors, and chartered accountant Neville Russell Couriers will take application forms to London, where they will be protra £2.5m worth of shares to meet cessed by the licensed dealers sponsoring the issue, Lancashire & Yorkshire Investment Management, before the Chancellor speaks.

The other property-related BES Mahon, the merchant bank spon- companies to have reported that they beat their minimum targets tion, said: The tax relief has obvi-ously been a factor. People have Smithfield Developments, Historic tended to like investing in some- City Developments, St Giles Conthing they can see rather than go- struction and Lincourt Retirement

#### **BASE LENDING RATES**

Allied Irish Bank 14 %	Knowsley & Co. Ltd 1419
Henry Ansbacher 14 %	Lloyds Bank 14 02
Amro Bank 14 %	Edward Manson & Co. 15 %
Associates Cap. Corp 14 %	Meghraj & Sons Ltd 14 %
Banco de Bilbao 14 %	Midland Bank 14
	Morgan Grenfell 14 %
BCCI 14 %	Mount Credit Corp. Ltd. 14 %
Bank of Ireland 14 %	National Bk of Kuwait 14 %
Bank of Cyprus 14 %	National Girobank 14 %
Bank of India 14 %	National Westminster 14 %
Bank of Scotland 14 %	Northern Bank Ltd 14 %
Banque Belge Ltd 14 %	Norwich Gen. Trust 14 %
Barclays Bank 14 %	People's Tst & Sv. Ltd. 15 %
Beneficial Trust Ltd 15 %	Provincial Trust Ltd. 15 %
Brit, Bank of Mid, East 14 %	R. Raphael & Sons 14 %
Brown Shipley 14 %	P. S. Refson 14 %
CL Bank Nederland 14 %	Roxburghe Guarantee 141%
Canada Perm'nt Trust 14 %	Royal Bank of Scotland 14 %
Cayzer Ltd 14 %	Royal Trust Co. Canda 14 %
Cedar Holdings 14 %	J. Henry Schroder Wagg 14 %
Charterhouse Japhet 14 %	Standard Chartered 14 %
Charles and the control of the contr	Trade Dev. Bank 14 %
Citibank NA 14.0%	TCB 14 %
Citibank Savings 121%	Trustee Savings Bank 14 %
Clydesdale Bank 14 %	United Bank of Kuwait 14 %
C. E. Coates & Co. Ltd. 141%	Inited Mineral Dank 14 70
Comm Bk N East. 14 %	United Mizrahi Bank 14 %

Consolidated Credits... 14 %
Co-operative Bank ....\*14 %
The Cyprus Popular Bk. 14 %
Dambar & Co. 14d .... 14 % Dumbar, & Co. Ltd. ... 14 Duncan Lawrie ...... 14 %
Duncan Lawrie ...... 14 %
E. T. Trust ....... 14 %
Exeter Trust Ltd. ..... 14 % Duncan Lawrie ...... 14

Exeter Trust Ltd. 141%
First Nat. Fin. Corp. 151%
First Nat. Secs. Ltd. 141%
Robert Fleming & Co. 14 %
Robert Fraser & Pins. 141%
Grindlays Bank 114 %
Guinness Mahon. 14 %
Hambros Bank 14 %
Heritable & Gen. Trust 14 %
Helil Samuel 14 %
C. Hoare & Co. 114 %
Hong Kong & Shanghai 14

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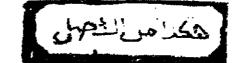
7 -day deposits 11%, 1 month 11.75%. Fixed rate 12 months £2.500 11.75%. £10,000 12 months 12%, £10,000 up to £50,000, 12%%, 12.00%.

7 -day deposits on sums of under £2.000 11%, £2,000 up to £10,000 £50,000 and over 12%%.

Call deposits £1,000 and over 11%.

21-day deposits £1,000 and over 11%.

21-day deposits over £1,000 124%. . See Provincial Trust Ltd.



#### **UK NEWS**

SCRAMBLE TO COMPLETE EQUIPMENT DEALS WORTH HUNDREDS OF MILLIONS OF POUNDS

# Rush to beat capital allowances squeeze

BY ANDREW TAYLOR

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BRITISH COMPANIES have been rushing to complete hundreds of millions of pounds worth of capital investment in plant and equipment in order to qualify for tax allowances which are due to be cut by a third from April 1.

The changes stem from the bud-get last year. First year capital alowances, due to be replaced by new arrangements next year will be cut from 75 per cent to 50 per cent at the end of this month.

To sweeten the pill, Mr Nigel Lawson, Chancellor of the Exchequer, said the burden of corporation tax would be cut correspondingly as first year allowances fell away. Next month, for example, corpora-tion tax will be cut from 45 per cent to 40 per cent, falling to 35 per cent

The Chancellor claimed that the transition would have a "neutral effect on the financial position of companies and that when the changes have fully worked through,

dustry (CBI) has strenuously challenged this assertion, however. It claims that the cash flower of many claims that the cash flows of many

tor of economics at the CBI, says:
"We accept that 100 per cent allowances gave an unfair tax advantage to capital intensive industries turn"Many companies will face an unto capital intensive industries turning over plant and equipment on a regular basis. But we do not believe this is the right solution."

"Many companies will face an unenviable choice of either slashing their investment plans or running

He argues that many companies will face higher tax charges for several years until allowances build the Chancellor's plans: up sufficiently to offset the loss of Extend first time allowances for nies which work their assets hard April 1987;

The Confederation of British In- It would take until the sixth year to

companies will worsen during the tion is much longer, the CBI adds. changeover. It also doubts whether with an inflation rate of 5 per cent a Mr Charles Burton, deputy direction of companies at the CPI and the the cP

into serious cash problems.

substantial first year tax benefits. a further 12 months and delay Most disadvantaged will be compa-implementing the new rules until

tal allowances."

and have to replace them regularly. 

• Modify the rules so that assets According to the CBI a company can be depreciated for tax in four renewing equipment after just two years on a straight line basis of 25 years would have offset only 43.75 per cent per annum instead of companies will enjoy very substan-tial reductions in the tax they pay." per cent of the original cost of the spreading allowances over many investment against taxable profits.

IMPACTI

Companies which have been en-aged in a scramble to complete in-boom. The effect, however, has not gaged in a scramble to complete investment transactions before the April deadline include British Calebeen uniform. Some manufacturer also emphasise that increased sales donian Airways, the largest UK inreflect purchases that have been dependent operator. It has been trying to finalise leasing agreements for two wide-bodied jets worth \$100m, while Vauxhall Motors has Bridgeport Textron, Britain's big gest machine tool manufacturer

been pressing to complete financing making milling machines and ma chine centres, has reported record sales for February which it partly arrangements for two new paint shops worth about £100m. attributes to the reduction in capital Mr Parry Mitchell, chairman of United Leasing, one of Britain's biggest computer leasing companie

Sales of heavy trucks also in creased by 21 per cent last month compared with February 1984. Com-mercial vehicle producers say that the effect of higher capital allow-ances helped increase demand last says. "We have been frantically busy and expect to be so right up until midnight on March 31. Interest rates on leasing contracts are at present around 4 per cent and are very competitive. These can be ex-

Massey Ferguson, one of Brit-ain's largest agricultural equipment pected to rise to between 8 and 9 er cent after the reduction in capisuppliers, says that tractor sales af ter a modest start to the year have This bunching of expenditure, risen dramatically in the last three judging by the experience of leasweeks as farmers have realised nies, suggests that manu- how little time is left before allow facturers of plant and equipment ances are cut.

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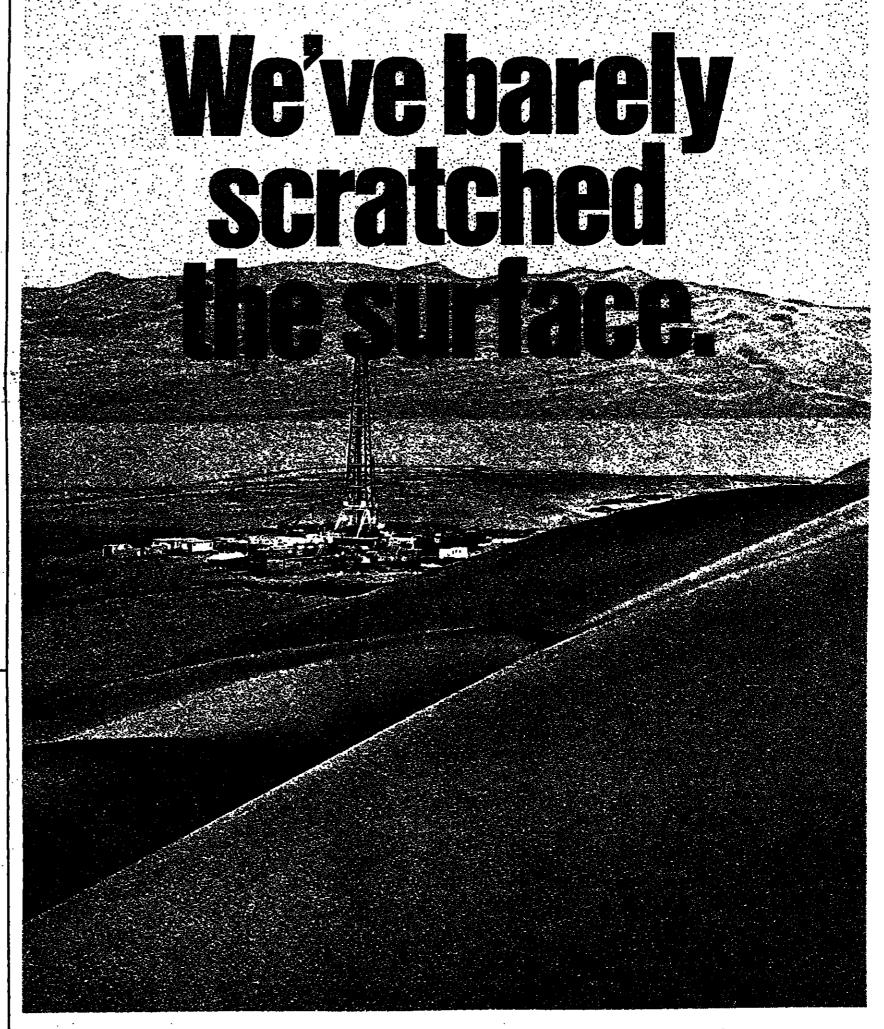
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The second secon

#### Computers in control of car making

BY GEOFFREY CHARLISH

THE automotive industry is now working hard to become one of the first to achieve computer integrated manufacturing (CIM), unifying the use of computers in design, engineering, and the new production techniques such as flexible manufacturing and robotics.

In 1984 alone the industry spent \$340m on computer-aided design, engineering and manu-facturing (CAD/CAE/CAM) according to market leader Computervision. Between now and 1990, the expenditure is unlikely to be less than \$1.50n.

By using screen, keyboard and computer instead of pencil and paper, vehicle engineers can produce higher quality designs more quickly, cutting costs and getting new vehicles to market

more rapidly.

CIM uses the important central idea that once the geometric data about an item has been established via CAD, it can be used in other important the can be used in other important. ant ways. For example, with additional software and physical data, the mechanical loading, thermal and vibrational properties of the item can be examined on-screen (CAE).

Similarly, complete know-ledge of the part's geometry allows data to be generated for computer-controlled machine tools to make parts automatic-ally (CAM). Most car comally (CAM). Most car com-panies also plan eventually to feed the data to flexible manu-

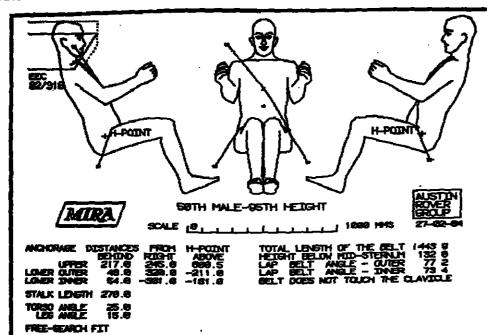
In 1984 alone, the industry spent \$340m on computer aided design, engineering and manufacturing.

facturing and assembly systems, robots and other advanced manufacturing systems.

But this is still a gleam in the production engineer's eye at the moment. One problem is that the controllers within the various "islands" of auto-mation come from different kinds of manufacturer, use a variety of computers and protocols, and so cannot easily "talk" to each other.

It is a large-scale software problem, but most experts expect CAD to be the nucleus from which integrated automa-

At Austin Rover, computer integration is seen as an oppor-



LINI FRONT - REARMOST SEAT POSITION AND HIGHEST DIAGONAL ANCHORAGE Part of the computer based simulation program used by Austin Rover to develop the Montego seat belt anchorage positions to "look out of the window"

Clearly, the industry is taking

using computers. It has 1,000 terminals installed, of which

Ford runs two CAD systems in parallel. One, developed in-

house, is used for body design

quick to see that design/ manufacturing data communica-

tions might be usefuly extended

Computervision system,

180 are in Europe.

petitive with the larger motor manufacturers by reducing unit costs for medium volume prodriver visibility.

As at most other car com-panies, Austin Rover designers start with a traditional clay model to allow the new car concept to be seen at or near full size — even though modern CAD systems can produce coloured, 3D solid models on coloured, an solid models on screen. The model is then probed with a co-ordinate measuring machine, which records its shape and dimensions digitally for use in the CAD system. Then, various pressings and the necessary tooling can be derived. tooling can be derived.

Powertrain, chasis and suspension components, similarly designed by CAD, can be graphically fitted into the shell, obviating a good deal of prototype component fabrication. Component fit is guaranteed by the fact that all the designers are working from the same

Using Computervision equipnent, Austin Rover (AR) seats "computer mannequins" at the wheel to check space needs and At Austin Rover, computer control reaches. The mannet to their suppliers. Ford has 700 Standards Organisation "open integration is seen as an opporquins can be articulated on or more and is in the process system." More will soon be tunity to become more com-screen and can even be made of familiarising them with heard of this in Europe.

CAD-CAM with a view to drawto determine the vehicle's ing/data electronic interchange, driver visibility. The company's manager of supplies planning Mr Mike Creighton has told suppliers that CAD-CAM capability "could well become mandatory With press tool data taken directly from the CAD surface. detail of the panel, tool design and manufacture costs have been reduced by 30 per cent at AR. Ford is similarly pleased: to meet the equality, reliability and productivity objectives of "The first tools made totally by CAD CAM were fire best ever," says Mr John Saville, CAM

the future."
Like Ford, General Motors has an in-house system for body design via clay. GM subsidiary Bedford Commercial Vehicles also uses an IBM CADAM sys-tem for mechanical/electrical the "factory of the future" very seriously. Ford, for example, states that by 1990 most of the components in its vehicles will have been designed component and system design-a total of 100 terminals are in use. Bedford has spent £8m to achieve full integration with the GM international system and with the GM Bus and Truck Group.

Both multinationals are deve-loping sophisticated data communications systems using land line and satellite, allowing exchange of drawings over thou-sands of miles.

and body panel press tooling. Prime Computers has been licenced to sell it. The other, In addition, GM continues to designs powertain components. develop and promote its Manu-facturing Automation Protocol The car companies have been (MAP) which allows equipmen from many makers to communi cate using the Internationa

MEDICAL RESEARCH

#### Swedish move in **AIDS vaccine**

BY DAVID BROWN IN STOCKHOLM

THE U.S. National Cancer In-stitute in Maryland (NCI) and stitute in Maryland (NCI) and sive new programme of re-sive ne stitute in Maryland (NCI) and the Swedish National Veterinery Institute (NVI) have begun evaluating a technology which may lead to the development of a vaccine against the dreaded acquired immune definitions with the later to extend into the later to extend the later the later to extend the later the later the later the later the later the

ciency syndrome (AIDS).

The research is based on discoveries by Prof Bror Morein of the biomedical centre in Uppsala in the field of Iscom

Uppsels in the field of Iscom (or immunostimulating complex) technology.

Prof Morein has found a method of extracting the protective antigens (or that part of a virus which produces disease immunity) from some deadly viruses. Among these viruses is one which causes feline leukamia as well as an AIDS-like disease in cats.

Combining these antigens with a bening glycogen-based carrier, he has succeeded in producing a vaccine against the disease itself, without producing the symptoms of the disease.

Antigens, protein molecules, in the outer coat of the virus, cause the appearance of anti-bodies, proteins which fight disease, in the victim.

The significance of such a

vaccine is that it is not a poten-tial disease carrier in its own right, thus making it a potential boon in the treatment of other difficult "enveloped viruses" difficult not least HTLV-3 which causes AIDS. What now remains to be seen is whether a specific vaccine will work.

Prof Morein approached NCI because "it is doing the most advanced work in this field and is most likely to produce speedy results. This is what we're all An NCI AIDS research pro-ject director said this week that Prof Morein's technology will probably prove to he a key in-gredient in what we're out to

#### Carbon fibres

THE Plastics and Rubber Institute is to hold a conference on the application of carbon fibres between October 8-10. This year the conference will place emphasis on the application of the fibres in a variety of reinforced

or protective antigens of HTLV-3 and binding this with a carrier. This procedure is likely to extend into the late This work will be followed by direct tests on laboratory animals to see whether the

experimentation warrants larger-scale work leading to

At this point commercial questions would come more directly into play. Prof. Morein has filed for patent protection for the iscom technology he has developed. The cancer institute for its part would have auto-matic title to any new invention that might result from the cur-rent experimentation. It would invite bids from industry to produce a vaccine under license, but would also be required to grant a non-exclusive license to

what remains perhaps the more interesting long-term question—given that spate of massive liability settlements recently granted by American courts—is whether any large American pharmaceuticals manufacture and the state. ufacturer wil be ready to take on the challenge.

**Materials Conference** 

plastics structure components ranging from car engines to space antennaes and catamarans to medical presthesis, More details from the Institute in London on 01-245

Fast food

#### The can that heats its contents

YOU HAVE heard of fast food but now comes self-heating convenience food. The idea has been launched in time for Easter by a new company called Hotcan. It has built a factory in Rotherham in south Yorkshire to produce the food.

Initially four menus are on offer-beef and chicken casseroles, Irish stew and turkey curry. They are almed at speciality markets such as for yachtsmen and boating enthusiasts.

The principle behind the hotcan is extremely simple based on schoolboy chemistry in the on schools of a reaction between limestone and water. There are two cans—the inner enclosed can contains the food while the out can contains the separated reactions ingredients. Water is introduced to the limestone by depressing a small plunger. The heat produced by the reaction is sufficient to heat the food thoroughly within about 10 minutes.

This is reckoned to be the first commercial venture in-volving a self heating food tin. The Hotcan was the idea of a Belgian inventor who joined forces with two British Funds of £750,000 have been

raised mainly through the Business Expansion Scheme to set up the company which hopes to produce up to 5m hot-can tins in the first year of operation creating up jobs.

Production has already started on a limited basis using semi-automatic machinery but the company hopes to introduce a fully automated machine costing £350,000 within the next few months.

Mr Chris Hardwicke Davies the company's marketing direc-tor, believes that there, is a wide market for the product ranging from supplies for the military to providing hot meals for people whose jobs often mean working unsociable hours and those travellers who have limited cooking facilities.

Hotcan already has advanced orders of which half will be for

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Medicine

#### Dissolving blood clots

MITSUI TOATSU Chemicals and Beckman Research Institute of Los Angeles have tate of Los Angeles invejointly developed a genetic
engineering method of
making tissue planninogen
activator (tpa), a naturally
occurring enzyme important
in dissolving blood clots.

The is two to three times more effective than an available treatment used currently, human urokinase, according to tests on animals by Mitsui Toatsu, said by M Mitsut

the

and

Airc

Avia

Scott

TPA produced by Mitsul Toatsu causes more specific attacks on blood clot protein than human urokinate, cutting the risk of damaging blood vessels during treat-

It is expected to replace human prokinase, which has domestic sales of Y60bn armually.

Clinical testing will start son and Mitsui Hoatsu expects to apply for Japanese Gevern-ment production approval in three or four years.

Components

#### Computer

#### processors

BITACHI LTD is introducing a new M-SSK processor group for the most expensive end of the computer range aimed at the Japanese market.

. It is also bringing out a number of new computer stor-age units, including a disk unit with five gigabytes of storage capacity.

Hitachi is expanding its 32-bit computer products and strengthening its software range. The new processors and peripheral devices will be available in the fourth quarter of 1985 and the upgraded software in the second

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Of course, before your computer could make any recommendations. you'd need to feed it a lot more information. For all the facts, send To: James Pollock, Commercial Director, Livingston Development Corporation, Livingston, West Lothian FH54 604, Tel. Open

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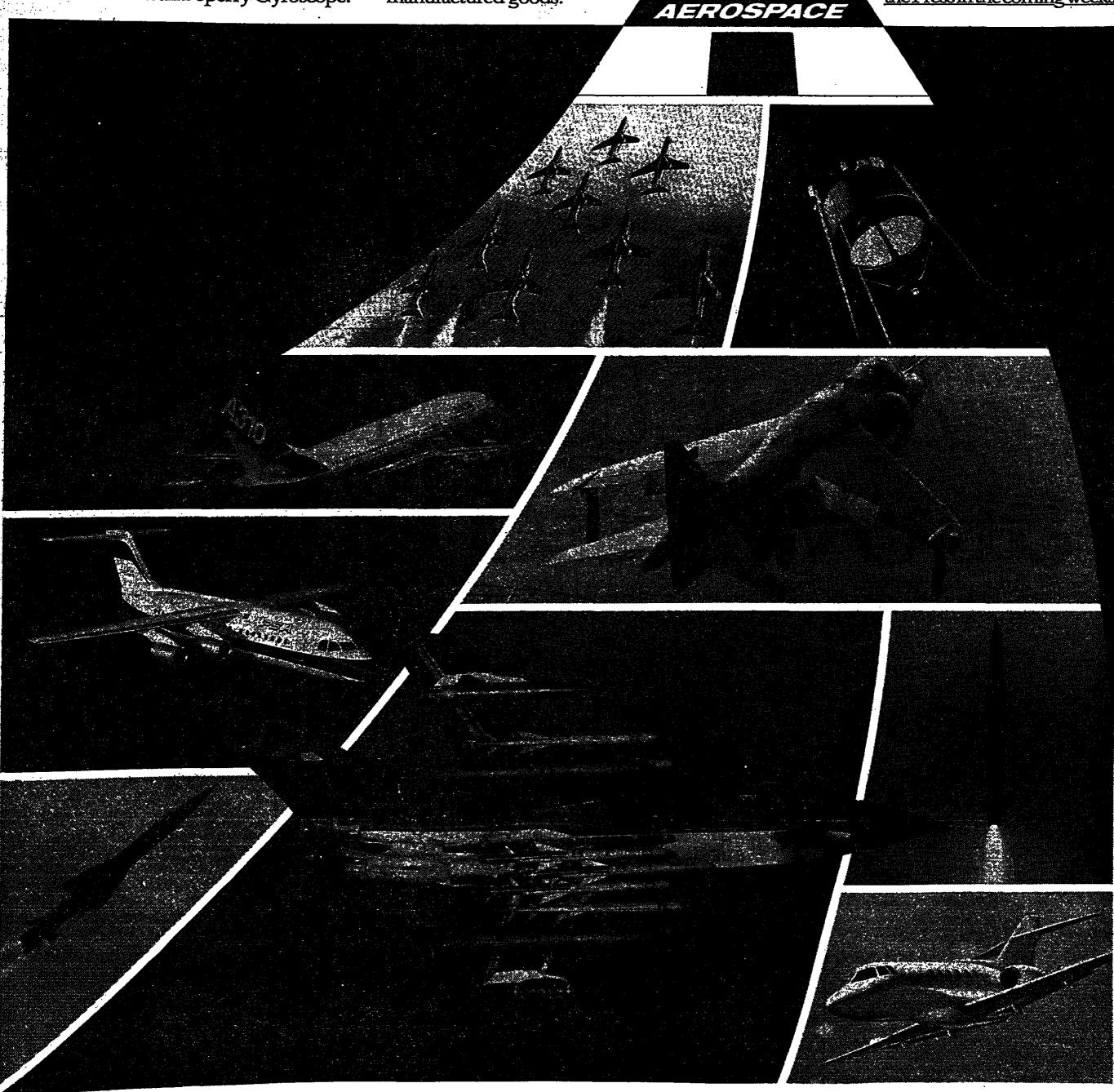
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We are involved in designing and building civil and military aircraft with sales to over 40 nations; we design, produce and sell a wide range of guided weapons systems, communications and scientific spacecraft.

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In January it was announced that an offer of shares in British Aerospace was proposed. If you are interested in finding out more about the Company and its products, look out for our advertisements in the Press in the coming weeks.



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Caterpillar Tractor

#### Battered but unbowed

Stewart Fleming on the U.S. group's efforts to adjust to a radically changed climate

JUST FOUR years ago Cater- a year after reporting record balance sheet and cash flow cost reduction, quality improvement than might have been anticiment and people involvement than might have been anticiment and people involvement. indisputable world champion of the earth-moving equipment industry." But having since brought to an abrupt end piled up almost \$1bn of losses an unbroken earnings record in three years it is today one stretching back 50 years. of the walking wounded of Last month the Po America's corporate sector.

It is also a company whose fate is hotly debated, not only on Wall Street but also on Capitol Hill. For in the eyes some observers, Caterpillar holds out hopes for a resume secome a symbol of what to profitability this year, the sullawad to be the progressive outlook is still uncertain. is alleged to be the progressive erosion of this sector of American manufacturing. It is a sector finding it harder and harder to compete in the face of a super strong dollar which is undermining price com-petitiveness in domestic and petitiveness in dome international markets.

But Caterpillar has been battered by more than just a strong dollar and U.S. trade laws — which it now maintains are not protecting it from unfair competition. To a degree, the company shot itself in the foot in the 1970s. Then, it vigorously expanded its U.S. capacity when world market for earth-moving equipment boomed. It was called into a false sense of labour and production costs by both the strength of demand for its products and a weak rather than strong dollar.

Wall Street would today be more confident of Caterpillar regaining earlier levels of profitability were it not for the emergence on the scene of a rival, Japan's Komatsu. This, Caterpillar's officials concede, adds another dimension to the challenge. "We are facing a new competitive threat of greater magnitude than we have competitor in our business has ever achieved that breadth of product line and level of efficiency and quality," says the recently retired Caterpillar chairman, Lee Morgan.

His conclusion was underlined starkly recently by Komatsu's announced decision take the battle into Caterpillar's back yard by opening its own production facilities in Caterpillar now believes that nothing short of

firms in American business was shattered by a \$180m loss. This

Last month the Peorla, Illinois-based concern reported its third consecutive year of red ink. It projected another loss for the first quarter of 1985 and warned that, although it

The 1984 loss was the largest for a \$428m — even though sales revenues rose 21 per cent to \$6.5bn from the depressed 1983 level. Heavy price discounting in the industry and the fact that the company had still not reduced its break-even point to a low enough level



magnitude than we have ever faced

contributed to its problems. But there was one bright spot, the company claimed. This was that \$268m of the loss tion and plant closures. Wall Street this was seen as a clear sign of the acceleration of the company drive to cut its costs. Caterpillar says that without these special charges 1934 pre-tax results would have been \$394m better than the

The company economy drive

such a flood of red ink over its things to do. It creates a bit of profit and loss account.

But Caterpillar's response to its changed circumstances has encompased more than mere reducing unit costs by 22 per hment, vital as that has been. It has involved a reassessment of strategies and policies which have been previously unchallenged for years. Typical is the decision to diversify both some of its production and procurement to cheaper non-U.S. suppliers. This is a strategy being adopted by a growing number of U.S. companies which have decided that it is a mistake which ended in April 1983 entered the control of to wait hoping that a declining dollar will ease the burden of a

high cost production base. Caterpillar itself concedes that the strong dollar has not been its only problem.

ment will be looking for more labour cost savings in the future.

Argusbly the high cost structure it has been suffering from can be traced back to the 1970s. Helped by an undervalued dollar and the booming international market for earthmoving equipment (especially in developing countries) Caterpillar was able to expand its sales, profits and capacity rapidly without worrying too much about costs. The high reputation of its products alone ensured that they commanded a premium price in the market in those heady days.

highly automated plant during this period, a decision which has neant that its predicament is not as bad today as it could Extravagant labour settle-ments came to an abrupt end

at the beginning of this decade as the rising dollar, the rise of Komatsu and the collapse of the market hit Caterpillar. Morgan sees the dollar as giv-ing its arch rival a 24-35 per cent unearned cost advantage. He says Caterpillar now plans on the basis not merely of current exchange rates but on what it estimates are future

a cultural shock for the organisation, says Morgan.

That programme, aimed at cent was accelerated last year as the company realised that an early fall in the dollar was not necessarily going to help solve its problems. It is now due for completion this year, a year

abled the company to secure a more favourable labour contract but there is a suspicion on the shopfloor that manage-ment will be looking for more

Cutting wage costs is not the only characteristic of the company's labour relations strategy. At the same time, though, Tony Green, head of the United Auto Workers (UAW) union at the company's headquarters says the company is trying to inch towards a less confronta-tional style of labour relations, albeit, in his judgment, with mixed results. Morgan agrees that the search for more em-ployee involvement and a more co-operative management lab-Morgan concedes that during this period the company made change in corporate culture is change in corporate culture is change in corporate culture in the claims that union seems to have problems convincing AUW headquarters in Derroit of the wisdom of the our relationship is under way. Both men concede that this partly to blame. On the other shift in direction, Morgan con-hand, the company did invest in cedes that: "We have trained cedes that: "We have trained people here in a particular management style which was very, very effective for a time." He points out that it is not easy to persuade people to change and adopt a less autocratic approach to shopfloor relations.

"It's almost like getting rid of a bad habit and substituting a good habit." Morgan remarks.

a good habit," Morgan remarks, adding, however, that "it takes two to tango" and that the union has some attitudinal changes to embrace. The company is changing the corporate culture in other ways too. Caterpillar once prided itself on its self-reliance. Today to change of corporate culture includes a startling reduction long term equilibrium exchange it is more willing than exchange in its capital spending from rates. "All of these things tell look outside its own backyard excavators which will carry the through its time of troubles but that Caterpillar will come in its capital spending from rates. "All of these things tell look outside its own backyard excavators which will carry the through its impossion. The companies are included a startling reduction long term equilibrium exchange it is more willing than excavators which will carry the excavator



rked on a swift expan

says, hinting that if that in-volves going outside high cost countries such as the U.S. for equipment so be it. It is also consolidating its casting foun-dries in Peoria and buying more castings from outside suppliers. The production line for track loaders and D6 tractors in Iowa is being closed down and production moved to Grenoble, France, and Glasgow, Scotland, in search of econo-

In an even bigger break with the past it is putting its name on equipment manufactured by outside suppliers. Lift trucks are now manufactured by Daewoo Heavy Industries in Korea and a Norwegian concern, Kaldnes Mek v Versted.

Realising that weakening demand for some of its heavy earth-moving equipment neces. sidiary, sitated a speedy expansion of in Fairts line of lighter products, the Dallas. turned to the German company Franz Eder Maschinenbabrik

best price and quality in parts paving machines from CMI and components," the company Corporation of Oklahoma, under Corporation of Oklahoma, under an exclusive distributorship.

"Leveraging" the network of over 200 full-time Caterpillar dealers worldwide is how the company describes its steps to make the most of its dealers an asset which it believes gives it a major competitive advantage. The company has also started specialist divisions to enlarge the financing alternatives for its dealers and to make it easier to provide counter trade opportunities in Third World countries short of foreign exchange.

Diversification has also taken it into new lines of business. Last year it acquired 20 per cent of a manufacturer of robotics—and it has just an-nounced the first investment by its new venture capital sub-sidiary, a \$2m, 12 per cent stake in Faired Robot Systems of

company is in the process of The picture of Caterpillar introducing some 50 new or which emerges is of a company improved products. Partly to struggling with adversity but achieve this without heavy resolutely and methodically capital expenditure Caterpillar charting a course out of it. Wall Street analysis who follow the industry say they are confident

#### Slow move towards a unified structure

BY DAVID MARTIN AND BRIAN GROOM

single grade getting the same pay negotiations.
basic salary. Skilled craftsmen

A growing number of British companies are adopting this kind of unified grading struc-ture for all their workforce, company-wide or on a particular site. As a key to unlock greater commitment, motivation and flexibility, it is probably the most significant future development for payment systems.

Progress is painfully slow, as rrogress is paintuity stow, as with so many shophoor trends in the UK. Fewer than 2 or 3 per cent of companies have so far integrated their blue and white-collar pay scales. But interest is growing.

It is becoming increasingly common in sweet and confectionery manufacture—at companies like Cadbury, Mars, and Thorntons, the high quality chorolate. chocolate producer — and spreading in brewing, canmaking and packaging. It has started in engineering with agreements at Cummins Engine and Halset.

A number of pressures encourage the trend:

• It forms part of the general move towards harmonising the ing these institutional "them and us" barriers.

 It assists the blurring traditional blue and white-collar job boundaries which new technology is causing. On computerised production equipment, for instance, some com-panies are using technicians with paper qualifications as trouble-shooters to back up time-served manual craftsmen on maintenance and repair.

• Companies want to develop pay scales which encourage people to learn extra skills in return for pay increments, and which impose no artificial barriers to their career pro-

CARETAKERS and typists on bargaining units into a single the same grade with the same structure for a company, division or factory, often with a clerks and line operators in a single new anniversary date for

with the same grade, conditions The new legislation that men and annual salary as assistant and women must have equal and women must have equal pay for doing work of equal value points to the logic of e single pay and grading structure covering all employees.

Thorntons, a family owned company based in Derbyshire, has had a unified structure at has had a timed attacture at the 1980s. Grading for all the 500 employees is based solely on the quality of decision-making in each job and assessed against six defined bands.

Mars, the U.S.-owned choco-Mars, the U.S. owned choco-late manufacturer at Slough, Bucks has an integrated pay structure as part of a compre-hensive single-status policy. All staff receive the same benefits. The only difference in treatment is the variation of pay levels according to responsibility.

These are both non-union, but integrated systems have been infroduced in a unionised environment at Cadbury's 15-year-old Chirk plant, North Wales, and Continental Can's greenfield site at nearby Wrez-ham

They are spreading to older sites. After lengthy negotiations Cummus. Engine hat year reached agreements at its Darlington, Shoits and Daventry plants which integrated the pay move towards narmonissing the Comming. Engine list year terms and conditions of manual reached agreements at its Darworkers and white-collar staff, giving them the same hours, plants which integrated the pay holidays, pension and sick pay structures and allowed worschemes, canteens and car kers to win extra annual pay parks. Britain still lags behind rises by acquiring "skill overseas competitors in removements and car with the still overseas competitors in removements."

White-collar unions can be wary of loss of privilege, but companies need not find their objections insurmountable.
Manual unions generally
endorse the changes as a means Manual' of improving terms and condi-

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Many companies evidently still do not see the need for change. Some believe a single scale for everyone would be too cumbersome. Others object to the cost of the improved pay and benefits which tend to their competitors become more to change may prove more ex-

# LSSETS Stand

EXTRACTS FROM THE REVIEW BY THE CHAIRMAN, MRRCSMITH TO BE PRESENTED AT THE ANNUAL GENERAL MEETING ON 26th MARCH 1985

#### Chairman's Review

Five years ago our total assets were £2.75 billion, having increased a remarkable sixfold in real terms since the end of the Second World War. It is therefore very gratifying to report that over the last five years the assets have more than doubled in real terms to stand at over \$8 billion.

Reasons for this continued expansion are not difficult to find. Not only have our investments performed well but also our hardworking sales force has been producing ever larger amounts of new business in all three countries in which we operate as illustrated below.

1982	UK. (£m) 65	EMIUMS FOR ORDINARY Republic of Ireland (ISm) 39	Canada (\$m) 50
1983	149	48	57
1984	192	118	90

Although there has been growth in both annual and single premiums in all three countries single premiums have increased the faster. Indeed in the U.K., as well as in the Republic of Ireland, where we have just celebrated 150 years of business, our single premiums have trebled since 1982.

Changes in legislation, actual or anticipated, also have an effect. When the new arrangements for giving mortgage interest relief at source (MIRAS) were announced two years ago the switch to endowment assurances to cover existing mortgages caused a flood of business. This has since abated, both for new and existing mortgages, as the result of the withdrawal of life assurance premium relief in March 1984 but not before well-founded rumours concerning its abolition had caused a flurry of new business as people tried to beat the Budget. Since then fears

that pension provision would become subject to some form of taxation in this year's Budget have been a factor in the increase of personal pension business.

#### UK. Legislation

When Government seeks expert advice in advance of change there is evidence that the advice is considered and followed. This was so in relation to life assurance commissions, and the plan to set voluntary maximum values of commission through the Registry of Life Assurance Commission (ROLAC) could receive indirect statutory backing. Standard Life wholeheartedly supports the ROLAC enterprise, the success of which should ensure the continuance and strengthening of the sale of life assurance through independent insurance intermediaries able to give impartial advice.

The future of pensions is in greater doubt. Last year Standard Life added its voice against the scheme for personal portable pensions in the form propounded by the Centre for Policy Studies, but wide criticism seems to have had little impact on the proposals in the consultative paper published by the Secretary of State for Social Services in July 1984. On a matter of this complexity public comment should be weighted with expert advice, not only on the objectives but also on the implementation of whatever scheme is proposed.

As this review has to be completed in the days immediately preceding the 1985 Budget, it can only be hoped that appeals to the Chancellor not to deal imprudently with the well-established taxation treatment of pension provision will have been heeded. A desire for immediate fiscal gain should not over-ride such proper deliberation of the issues, including the consequences for all present and future pensioners, as can arise only from reasoned discussion with the pooled expertise of the pensions industry.

#### Investment

In respect of our UK life assurance and annuity funds less than a fifth of the year's cash flow was invested in fixed interest securities, the remainder being used to purchase equities (both in the U.K. and overseas), property and some index-linked securities. The market value of our equity portfolio is now almost £25 billion.

Five years ago we launched a new range of investment-linked policies in the U.K. and I am particularly pleased to be able to report that over the period the performance achieved by our managers as illustrated below has been outstanding.

Fund	Change in Unit Price from 30 Oct 79 to 30 Oct 84	Change in Appropriate Market Index
Managed	% -1.146.7	%
Managed	+146.7	~
Equity	+201.2	+132.9
Fixed Interest	+ 91.3	+ 61.0
International	+149.8	+144.5
Property	+ 72.9	-
	ie Retail Price Index incre	ased by 51.8%.

#### Valuation and Bonus

The continuation of favourable investment conditions has allowed us to retain our exceptionally high rates of reversionary bonus and at the same time to declare substantially increased rates of terminal bonus both in the United Kingdom and the Republic of Ireland. Few companies will be able to match these impressive results this year and none can match our consistently good bonus results over the past 25 years.

The exceptional levels of bonus we have been able to declare in recent years have stemmed from the investment returns obtainable in times of high inflation. Their maintenance could not be expected if inflation were to remain at its present relatively low level with a correspondingly lower rate of investment return, but these conditions would, at the same time, bring stability to the real value of the proceeds of maturing policies.

#### **Future**

Many policyholders will have seen the announcement at the end of January of our purchase from Barclays Bank of just over a third of the issued capital of the Bank of Scotland for \$155m. It has been clear to us for some time that a strategic stake in the banking industry would help us in tomorrow's markets

to maintain our pre-eminently successful record of service and profits to policyholders. We are particularly pleased to have acquired this stake in a bank which has built up such an impressive record of prudent financial management and forward-looking innovation.

#### Board

Mr G Drummond Birks, President and Chief Executive Officer of Henry Birks & Sons, Canada, joined the Board in June 1984.

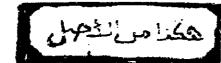
Mr D Bruce Pattullo, Treasurer and General Manager of the Bank of Scotland, has accepted an invitation to join our Board

#### Staff

This review has referred in part to the difficulties which have to be surmounted in achieving the impressive growth of business which the Company has once again recorded in 1984.

That success is not easily won and I gladly acknowledge on behalf of all our policyholders the contribution of our staff in every area of the Company's activity.

Head Office: 3 George Street, Edinburgh



#### THE ARTS

Architecture/Colin Amery

#### Eclecticism—alive and well in Baku

Cryptic instructions left in a sealed box for his successors by the late Pope John XXIII read: "Look to the East." The same message applies to any-one interested in the development of the history of architec-ture and, indeed, the history of taste. Eastern Europe holds so many secrets for those of us in the West whose experience is limited to the package tour or the brief escorted journey. There also are many lessons for practising architects and those interested in the restoration of historic manufacts.

A remarkable exhibition has found its way to the Heinz Gallery of the Royal Institute of British Architects, on the unlikely subject of the Architecture of Baku, Fabled Capital of the Caspian (RIBA Heinz Gallery, 21, Portman Square, London WI, until April 20). The subject is unlikely only because of our somewhat prejudiced of our somewhat prejudiced view of Baku as the city of oil wells and refineries — it is a surprise to discover an unwritten chapter of Russian architectural history opening in London,

London.

The show is an example of Angio-Soviet cultural cooperation which, it is hoped, will be the first of many in the architectural field. Robert Chenciner has selected the exhibits, his enthusiasm for the city of Baku having been generated by frequent visits to examine the carpets of the examine the carpets of the region: the immovable artefacts soon caught his imagination.

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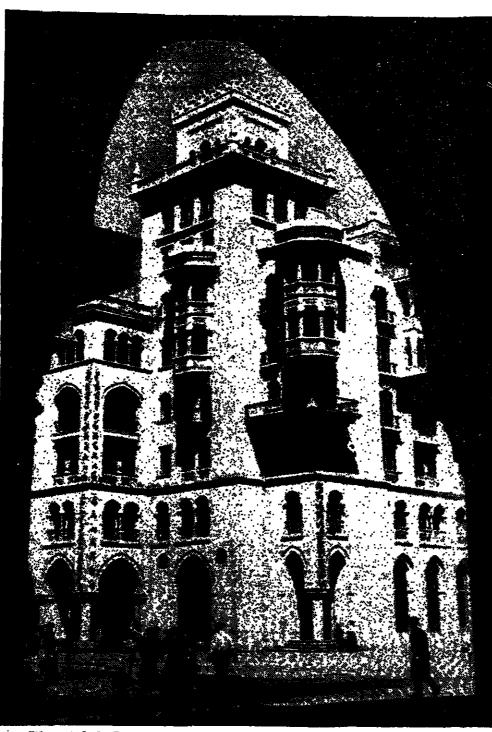
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At the centre of Baku is an At the centre of Baku is an invincible tower on sixth-century foundations which was given additions in the 12th century to house a 250-man garrison on eight floors. The city has grown on the shores of the Caspian until today it has a population of 1.7m, one of the 10 largest cities of the USSR. Architecturally, it is a mixture Architecturally, it is a mixture of Islamic monuments and a remarkable range of buildings from the middle of the 19th century until the present.

It was in the 1860s that Baku was transformed by the oil boom. It became a Westernstyle capitalist city almost over-night. In 1856 the population was 8,000; by 1907 it was 248,000. With the oil profits the city built an opera house, town hall, company head-quarters and many glorious villas and private houses.

Baku was a paradise for architects until World War I. architects until World War I. tecture and houses grew in conditions of the oil workers built more than 120 schemes in the city grew on a generous. Gothic, Renaissance, Islamic, improved and Constructivist the city and he has created a square grid with parks and garneo-Classical and Viennese houses and flats grew on the school of Azerbaidzhani architects, and the sea front and styles. Foreign architects came Moscow model.

Common were replanned by a to enrich the city and to take — One architect who dominated this syle are a refined sense of harbour were replanned by a to enrich the city and to take German architect. Eelecticism their inspiration from surround-German architect. Eclecticism their inspiration from surround-seems to have been the only ing Islamic sources. After Lenin unifying quality of the archi-



War work in Baku must have included quarrying and stone carving—this block of flats was completed in 1945

the development of Bakn since the 1930s is the Academician, Mikael Useinov. Useinov has

this syle are a refined sense of decoration and form that is based on local Islamic styles but transformed — sometimes

into a unique sort of Art Deco in the Soviet style. One quite amazing (to Western eyes) scheme is the under-ground railway with stations by Mikael Useinov completed as recently as 1970. The Narima-

nov station shown in the exhibition is in the neo-Egyptian Double rows of fluted columns process along the marble plat-forms. They are encased in lacquered aluminum and blossom into the Luxor type of capi-tal. As every Soviet city with

more than 1m people is entitled to a metro system, there must be plenty of money to spend on the architecture. How wise the Soviets are to use the best materials on these large public projects. London Transport now seems to be intent upon covering every pleasingly tiled state. ing every pleasingly tiled sta-tion with plastcot Formica that will look terrible in a few years Baku is fortunate in having

a supply of local sandstone and salt winds make it impossible to use stucco for decoration. A tradition of stone carving continues. In the exhibition there is material about the Islamic architecture of the pre-oil boom years; but it has to be said that the 19th and 20th centures are the most exciting periods. Merthe most exciting periods, Merchants of considerable wealth often built offices or houses using the services of creative civil engineers. The headquarters of one large company was blown up in 1919, but was rebuilt soon afterwards in a mixture of Certic and Inland mixture of Gothic and Islamic styles. If you take the train for Tibilisi from Baku, you depart from the late-19th centure sta-tion built in the Cairo style with rich interiors.

If you prefer to travel from the Electric Railway Station on Lenin Avenue, you may find it difficult to be entirely certain about maters of architectural style. Moulded concrete is much used for decorative purposes a good material scarcely used in this country. The Government House by architects Rudnev and Munz, which was only completed in 1954, looks like a huge Venetian Palace or, in

fact, a bit like parts of the British Foreign Office. This is in some ways an in-complete exhibiton because you do not feel you have a total view of Baku. There is seldom view of Baku. There is seldom a glimpse of the oil refineries or the large blocks of workers' bousing. But it does demonstrate that the variety of living traditions is much wider in the Soviet 'Union than in the West. The languages of the past have been successfully adapted for the present and no one can doubt that eclecticism is alive and well and living in Baku.

#### The Golden Age/Opera House, Dusseldorf

#### Clement Crisp

The Shostakovich Festival, and assorted bourgeois back- tained physical excitement, but which has run for the past six sliders addicted to the black- the love duets between Boris months in Duisburg and its neighbouring cities, reached a rousing finale 5t w/ek with the is also loved by Yashka, her appearance of the Bolshoy dancing partner and leader of Ballet and orchestra performing a gang of profiteers and robbers, Yury Grigorovich's staging of and he in turn is loved by The Golden Age, Originally produced in Leningrad in 1930. The duced in Leningrad in 1930, The duced in Leningrad in 1930, The Golden Age was cursed with a scenario which had been the fruit of a competition to find balletic libretti relevant to the ideals of the Soviet state. The resultant farrago, staged by four choreographers in collaboration, was replete with political clichés about an exhibition (the eponymous and

political clichés about an exhibition (the eponymous and ironic Golden Age) in a capitalist city where a Soviet football team, despite fascist machinations, inspired the local workers to join in hymning the loys of labour.

Both ideology and staging

were found wanting, and the piece was abandoned after one season. The only loss was Shostakovich's score, the first of three — the others being Bolt and Bright Stream—which the composer made between 1930 and 1935 before the traumatic production of The Lady Macbeth of Mtsensk inhibited his further

of Mtsensk inhibited his further lyric creativity.

In 1982 Yury Grigorovich took up the score, and with the help of a Moscow colleague devised a new scenario which has enabled him to bring this vivid music—somewhat edited—back to the theatre, in a production ablaze with physical energy. The music, with its elements of parody and commentary upon popular tuns of the period—Tea for Two provides a luscious beginning to the second act—dictates certain dramatic incidents, but Grigorovich has found a way of encompassing these without lapsing passing these without lapsing into the banalities of the original narrative. Once again he treats of Russian history, as he did in Ivan the Terrible; now he has set the ballet in the early 1920s at a time when the New Economic Policy admitted of a certain amount of private enterprise in the Soviet state.

We are shown a group of ardent young socialist workers in a fishing port, whose leader, Boris, falls in love with Rita, a cabaret dancer in "The Golden Age" restaurant which is a rendezvous for profiteers

to revamp repertory works. This,

though, is by no means an aggressively radical production;

neither is it a particularly successful one. It's strengths

remain in the singing and act-

ing of its principals and, in this revival, in the vigorous and

market and tangos.
The love between Boris and Rita is complicated in that Rita is also loved by Yashka, her flict between the life-style of the black-garbed Yashka and that of the heroic white-clad Boris, between the foxtrots of an antisocial economy and the revolu-tionary ardour of Boris and his Agit Brigade, provide the dramatic momentum which Grigorovich maintains with a drive that matches the power of Shortaknylch's music Shostakovich's music.

But beneath what might seem a politically blatant narrative there is a far more engrossing sub-text about Russian life and art in an extraordinary period.
Grigorovich has, in effect, devised a piece of time-travel which explores the aspirations of Soviet society in its early, heady days when revolution had inspired young people with an infectious idealism. In this he is much helped by the veteran stage designer Simon Virsaladze, who has interpreted in dazzling fashion the decorative manner he must have known as a young

His decors speak of the work of Kustodiev, Popova, Exter, Lissitsky, and the poster art of the 1920s. The brilliant orangereds of banners and costumes. the parti-coloured clothes, the lettering on the sets (I deciphered the word Shimmy on a panel in the Golden Age cabaret scenes) tell of a world evoked with unerring rightness Grigorovich's choreography.
The sweeping energies with

which he presents the members of the fishing community as workers or gymnasts, the quick view of Proletkult theatre where church, army and business are caricatured, are to be set against a no less convincing treatment of the revellers in "The Golden Age" where social dances are cleverly balleticised, and the ravishing Bolshoy girls would put any Western musical to shame by their charm and panache in displaying some warre chir displaying some very chic

whose every scene has a sus- development of Soviet ballet.

(Irek Mukhamedov) and Rita (Natalya Bessmertnova) seem to me to be among the very best things that Grigorovich has created, and they greatly moved me in the two performances I saw last week in Dusseldorf. Two of these pas de deux are set to interpolated music—the adagios from the first and second piano concertos—and their apiness and dramatic sensitivity in recording both the love of two young people and the implicit battle in rescuing Rita from her cabaret life, combine lyricism with what I must describe as moral in-tegrity in masterly fashion.

Bessmertnova, in the pleni-tude of her radiant gifts, is a very great dancer, her range further illuminated here by two adagio numbers she performs with adorable physical wit in the cabaret scenes. In 1930 the leading male role was taken by Vakhtang Chabukiany, and his interpretation helped to estab-lish the new image of the Soviet danseur as heroic virtuoso. The young Irek Mukhamedov is his worthy successor. He brings exceptional sincerity to the ideological implication of his role, and his dancing—massive in prowess, with immense, space-greedy jumps which Grigorovich embellishes with in-novatory positions that Mukhamedov assumes with prodigious ease—is never coarse.

As the villalnous Yashka, Gediminas Taranda, also young, uses a brilliant technique to create a charming, passionate scoundrel, and both Tatyana Golikova and Maria Bylova were sensually elegant as the tragic Luska whom he kills.

The Bolshoy cast look youthful, and there is in their performance that full-blooded commitment, that academic strength of training, which so excited us in the first Moscow Ballet seasons in the West. Sustaining every moment is the Bolshoy orchestra under Yury Simonov, showing off the score with a clarity, an appreciation of musical and dramatic values, undreamed of in Western per-formance. And for Yury Grigorovich this newest creation reaffirms the force of his movement language, and his com-mand of dramatic spectacle on It may seem unjust to speak the through-danced terms which of emotional peaks in a work are his vital contribution to the

#### Nelly Miricioiu/Goldsmiths' Hall, EC2

Max Loppert

The Romanian singer has as sound, it strikes an immediate response—and, amid the audiences with her Manon and the deavily ornate splendours of the visiting Scottish the hall, the sound rang out sounds) in the verbal enunciation meant that the listener was formed to raise the provided by the registed b Garden, and her Violetta at the Coliseum; but Thursday's song recital for the City Music Society (at Goldsmiths' Hall,

exceptional freedom across a wide range (the top, easy and brilliant, carries a special is as yet beyond her; the lines thrill); the fast vibrato, which were broken with too many forms an essential part of the breaths, and though there were attraction, can be modified with considerable technical skili. It is a voice that commands a clusive palette of dramatic, emotional When colours simply unknown to most of today's pallid tweeters. Just

But in the recital hall, as forced to rely on purely vocal distinct from the opera house, characterisation; and while the

Miss Miricioiu's art is apparently in early infancy. She sang a very attractive programme entirely from behind a key) affords a basic pleasure, far greater specificity was a basic stand, in a way to pose far greater specificity was a basic stand, in a way to pose far greater specificity was a basic stand, in a way to pose far greater specificity was a basic stand. gramme entirely from behind a key) affords a basic pleasure, music stand, in a way to pose the world's young Italianate sopranos. Her voice is quick in attack and projected with exceptional freedom across a property of the stand. The support of the proper high key) affords a basic pleasure, far greater specificity was needed for Faure's and Dupare's more intricate poetic expressions. The most secure interspectation came later, with four proper high key) affords a basic pleasure, music stand, in a way to pose the audience—the opening are intricate poetic expressions. The most secure interspectation came later, with four proper high key) affords a basic pleasure, music stand, in a way to pose the audience—the opening was needed for Faure's and Dupare's more intricate poetic expressions. The most secure interspectation came later, with four proper high key) affords a basic pleasure, music stand, in a way to pose the audience—the opening was needed for Faure's and Dupare's more intricate poetic expressions. The most secure interspectation came later, with four proper high key) affords a basic pleasure, music stand, in a way to pose the audience—the opening was needed for Faure's and Dupare's more intricate poetic expressions. The most secure interspectation came later with four proper high key) affords a basic pleasure, music stand, in a way to pose the proper high key) affords a basic pleasure, music stand, in a way to pose the proper high key) affords a basic pleasure, music stand, in a way to pose the proper high key) affords a basic pleasure, music stand, in a way to pose the proper high key) affords a basic pleasure, and the proper high key) affords a basic pleasure, music stand, in a way to pose the proper high key) affords a basic pleasure, and the proper high key) affords a basic pleasure, and the proper high key affords a basic pleasure, and the proper high key affords a basic pleasure, and the proper high key affords a basic pleasure, and the proper high key affords a basic pleasure, and the proper high k sung only to the stand. The scaling of a steady outpouring like Liszr's ".Oh! quand je dors" breaths, and though there were phrases with the glow of starstrict sense proved

> When Miss Miricioiu further essayed singing in French — three songs by Fauré com-

Music Projects/Almeida Andrew Clements The second of Music Projects'

French programme last week focused on music of Tristan Murail. The sequence of three short solo pieces on Thursday gave a less vivid impression of his creative personality than one has gained from the couple of larger-scale works played in London by the BBC Symphony Orchestra. Of the three only Le conquête de l'Antarctique for ondes Martenot (played by the composer) made a substan-

revelation. There's much work to be done. Let us hope this singer finds the discipline to do it, for the voice itself is

generally husbands his rehearsals well, preferring to devote what time he has to thorough preparation of couple of larger-scale works and to bulk out his programme with

Certainly Xenakis's Phlegra,

which closed the concert had been carefully approached. The performance was cooler than one remembers from the premiere with the London Sincommitted contribution of the The first Act contains most of the problems — the simple ugliness of the set, the clanking footsteps which accompany fonietta ten years ago, but still-spiendidly bracing as twineing every exit and entrance, the c'est un jurdin secret for viola really required more assured presentation to bring off its wispy writing, but in Tellur for guitar David Harvey managed its flamenco effects with some panache; the problem here was a lack of distinctive material, though again the plan of the piece was clearly laid out. One ensemble piece from Murzil would have been welcome, but Richard Bernas or the special unisons crowded in on one another. Xenakis's control of the production to use its bunker-like production to use its bunkerany revealing dramatic point. and its fifth Contemp. The second is better: there is a Fair from May 24-27.

#### Fidelio/Coliseum **Andrew Clements**

English National Opera's genuinely be susceptible to an staging of Fidelio, produced by imaginative translation of its Joachim Herz and first seen in time and place. The reasonances 1980, returned to the Coliseum are there to be invoked, and on Friday. When it was new it Herz has laid a perfunctory generated a good deal of gloss upon a thoroughly hostility, and in some quarters traditional framework. was used as a pretext for a Josephine Barstow is again the memorable Leonore: she general attack on the current tashion in British opera houses did not appear to be in especi-ally good voice, but the passion, for hiring East German directors

occasional moments of strain; he often matches Miss Barstow

ENO debut elegantly if a little plainly to give a wholesome portrayal, while Rodney Macann takes the exact marrying of gesture to dramatic situation remain enormously affecting. She is partnered here by Rowland Sidwell, new to the role of Florestan at the Coliseum; he sings with generous helping and the passion, while Rodney Macann takes over as a sauve Don Fernando. He over as a sauve Don Fernando. He over as a sauve Don Fernando. He over a sauve Don Fernando. sings with generous helpings of of an otherwise mundane First full-bodied tone and shows only Act, and crowns the finale most conclusively. A revival to be seen for some of its parts, then, in the generous swathes of rather than for the sum of emotion he is able to invoke. them all.

Dennis Wicks's likable, straightforward Rocco, Alan Woodrow's Jacquino, and Malcolm Don-

nelly's demon-king Pizarro are familiar from previous runs. There is a new Marzelline, Jane Leslie MacKenzie making her

#### Bath Festival 1985

The Bath Festival this year will run from May 24 to June 9, and its fifth Contemporary Art Fair from May 24-27.

Royal, and Scarlatti's Stabat Mater performed in Bath Abbey by the Monteverdi Choir and English Baroque Soloists.

Fair from May 24-27.

The tercentenaries of Bach. Handel and Scarlatti will be celebrated with a performance of Bach's St Matthew Passion in Wells Cathedral, Kent Opera's production of Handel's opera Agrippina in the Theatre

English Baroque Soloists.

Sir Michael Tippett, in his some of his own works and other participants in the festival Hogwood, Robert Tear, Joshua Rifkin, and George Melly.

#### Saleroom/Antony Thorncroft

Danish art in London

Collectors of the art and and Thursday also contains artefacts of the 19th century many works by Danish artists, will be gathering in London this including Eckersberg, Fischer and Henningsen, but the firm's week for a series of auctions devoted to their period. Since both Sotheby's and Christie's decided to merge their Victorian paintings sales into larger auctions, dominated by pictures of Continental contemporaries, this sector has seemed rather diminished and the catalogues a jumble of contrasting art styles.

For example, the three most important paintings in Christie's sale on Friday are by very different artists — the Frenchman Francois Millet, the High Victorian Lord Leighton, and the Danish artist Vilhelm

trasting art styles.

Hammershoi.
The Millet, a landscape, should sell for £200,000; while Lord Leighton's "Greek girl dancing" was known only from sketches until it turned up recently in the U.S. with its owner unaware of its importance. Bids in the region of £150,000 are expected. Danish f150,000 are expected. Danish art came to the fore in public interest, and in price, following the National Gallery's exhibition hibition last year of works from its Golden Age early in the 19th century. Hammershoi worked later: but his mysterious in-terior painting of 1900, reminiscent of a 17th-century Dutch interior, could set a record price

for a Danish painting. Sotheby's sale on Wednesday from £200.

including Eckersberg, Fischer and Henningsen, but the firm's decorative arts sale (on Thursday and Friday) has the mos interesting items. A pair of Venetian chandeliers in Murano polychrome glass carry an estimate of £20,000, while a Renaissance - style jewelled Renaissance - style jewelled Milanese cabinet, made in 1880 by Daniele Lovati, could go for £25,000.

Christie's has two sales that should interest English colshould interest English col-lectors—pottery and porcelain on Monday, and watercolours on Tuesday. In the earlier sale, all the main English factories will be represented, with especially interesting items from Worcester, Rockingham, Longton Hall and Chelsea including a Red Anchor figure of an ostler which is the only of an ostler which is the only recorded example. It can top estimate of £6,000. It carries

All the major names are included in the watercolour sale, with a Turner view of "Ingleborough from Hornby Castle" expected to make the top price of around £50,000. In 1881, Christie's sold it for 2,200 guineas — a massive price for the time. There is a good range of works by de Wint, and Rowlandson, William Blake, Cotman, and Richard Dadd also are represented in a sale with estimates ranging upwards

Arts Guide

song; and when, for a single Romanian encore, Miss Miri-cioiu was finally able to dis-

pense with the music, the sense of new freedom gained was a

Music TOKYO

hilharmonia Orchestra of London conducted by Neville Marriner. Re-spighi, Mendelssohn, Dvorak. Sho-wa Women's College, Hitomi Memo-rial Hall. (Mon) (403 8011)

rial Hall. (Mon) (4038011)
Japan Philharmonic Symphony Orchestra conductor: Ken-ichiro Kobayashi; piano: Ikuyo Kamiya. Wagner, Mozart, Bartok. Tokyo Bunka
Kaikan (Tue) (2245911).
Aurele Nicolet (Ilute) with Kolja
Blacher, violin; Mari Fujiwara, cello;
Michio Kobayashi, harpsicord. AllBach programme as part of Bach
festival. Kan-i Hoken Hall (Wed).
(5015638-9)

**NEW YORK** 

Carnegie Hall: Orchestre de Paris: Daniel Barenboim conducting: All-Bruckner programme (Mon), All-Ravel programme (Tue); Aroutiun Papazian piano recital: All-Chopin programme; Rosalyn Tureck piano recital: All-Bach programme (Thur).

CHICAGO

Chicago Symphony (Orchestra Hall): Carlos Kleiber conducting: Allprogramme

Brahms (4358122). (Thur). WASHINGTON Terrace (Kennedy Center): Abel Carle-

al Arts Society: Norman Scribner

music director: All-Bach programme (Wed). (254 3776).

Tonkunstler Chamber Orchestra, conductor and soloist Bijan Khadem-Missagh and Rudolf Scholz, organ. Handel, Joseph Haydn. Musikver-ein Brahms Saal (Mon).

em Brahms Saal (Mon).
Michael Haydn Chamber Orchestra
conducted by Christian Simonis
with Thomas Riebl, viola, ThomasDaniel Schlee, organ, Neva Rae
Powers, soprano, Petra Weber-Schuwerack, alto, Peter Jelosfis, tenor,
and Frank Kubik, bass, Joseph and
Michael Hawde Desa Deiral and

and Frank Kubik, bass. Joseph and Michael Haydn, Boog, Preindl. at St. Michael church. (Tue). Vienna Symphony Orchestra conduct-ed by Juri Ahronowitsch with Hein-rich Schiff, cello, Franck, Prokofiev and Respighi. Musikverein. (Wed and Thur).

LONDON

Daniel Blumenthal, piano. Beethoven, Weber, Liszt and others, Queen Elizabeth Hall (The) (928 3191).

Royal Philharmonic Orchestra and Pro Musica Chorus of London conducted by Norbert Balatsch with Sheila Armstrong, soprano, James Bowman, counter-tenor, Stephen Roberts, baritone, and Sir Trevor

Holdsworth, piano. Grieg and Orff. Royal Festival Hall (Wed) Imogen Cooper, piano. Schubert. Wig-more Hall (Wed). (9352141). Igor Olstrakh, Violin and Natalis Zertvaro guitar recital: Villa-Lobos, Carlevaro, Torrova, Canlevaro, Al-beniz (Tue). (254 9895)

Concert Hall (Kennedy Center): Chor-Loudon Philiamunic Orchestra con-

ducted by James Conlon with Boris

Christoff, bass. Glinka, Mussorgsky, Prokofiev, Rachmaninov. Royal Fes-

March 15-21

tival Hall (Thur).

Bach 300 Festival: London Bach Society and Steinitz Bach Players conducted by Paul Steinitz with soloists. Bach programme to mark the ists. Bach programme to mark the
300th anniversary of the composer's
birth Queen Elizabeth Hall (Thur).
London Early Music Group: Purcell,
Stradella, Cavalli, Monizverdi and
others. Wigmore Hall (Thur).
Rounte Scott's, Frith Street: G.B.Blues Company featuring Root
Jackson (4390747).

PARIS

Paul Torteller, cello recital: Bach Suites (Mon), Salle Gaveau (563 2030) musici: Manfredini, J. C. Bach, Lo-catelli, Martin (Mon). TMP-Châtelet

(2334444). Insemble Orchestral de Paris con Ensemble Orchestral de Paris con-ducted by Gianfranco Rivoli, Rug-giero Ricci, violin, Alexandra Papad-jiakou, mezzo: Mendelssohn, Falla (Tue). Salle Pleyel (561 0630). Orchestre National de France conduct-ed by Jeffrey Tate with Radio France choir: Don Giovanni (Wed).

Théaire des Champs Elysées (7234777). (1234777).
Alban Berg and his time: chamber music by Webern, Schönberg with Liliane Mazeron, soprano. (Tue). Opera Comique (2969611).
Orchestre de Paris Choir, A Capella conducted by Arthur Oldham: Bruckner, Liszt (Wed, Thur). Salle Plevel (Shi 1633).

Pleyel (561 0630).

Peter Serkin, piano (8pm), Paul Tortelier, cello (10.30pm) Both concerts
Thur, Salle Gaveau (563 2630).

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#### **FINANCIAL TIMES**

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Monday March 18 1985

#### A flawed embargo

NIKITA KHRUSCHEV is said be the first sign for several to have provided the reductio years that the Pentagon analysis absurdum case against economic sanctions when he chided the West for selling buttons to the Soviet Union that rould be used to hold up Russian soldiers' trousers.

Mr Gorbachev would doubtless say the same about many of the items on the secret list of goods of potential strategic value recently re-drawn by the Co-ordinating Committee (Co-Com) comprising most Nato countries and Japan.

So long as the Soviet bloc is So long as the Soviet bloc is regarded as a threat, the sale of advanced technology designed for civilian use but adaptable to military purposes will have to be vetted. The buttons-for-trousers argument will always be with us: but today it is becoming less of a joke because of the rate of technological development and the speed and ease with which know-how spreads.

#### Intensive exercise

The U.S. with Pentagon hardenforcing ever-tighter control over export licensing, has mounted an intensive administrative exercise to stop the flow. It has put pressure on its allies in CoCom and on neutral governments like Austria and Finland, suspected of channelling embargoed goods to the East. In particular, it has asserted its right to apply U.S. export law to overseas subsidiaries of American companies and to any foreign com-pany using U.S. technology.

There has been a corresponding upsurge of protest from businessmen, scientists and politicians in the U.S. as well as in Europe who see the controls as exaggerated, costly and counterproductive. The extraterritorial application of U.S. law is also much resented.

Some recognition of an imbalance between strategic and commercial considerations is implied in the U.S. Department of Commerce's proposal three days ago to relax some of the rules. Under the new proposals companies would be allowed to

manufacturers have watched with dismay as European and Japanese companies reap the benefits of successive at the Soviet Union's human rights record, the invasion of Afghanistan and the imposition of martial law in Poland. The USSR is now consciously directing a number of large turnkey projects towards British, Italian and Japanese contractors.

if its proposal is adopted it will looks wrong.

is being challenged from within.

"ON MARCH 3 banking operations in the United States

the cause of this failure of our banking system is unnecessary. Suffice it to say that the Govern-

ment has been compelled to step

in for the protection of deposi-tors and the business of the

nation." President Roosevelt, March 1933.

OT since the Great Depression of the 1930s have ordinary Americans experienced the financial panic

which gripped the conservative

citizens of Cincinnati last week

as they queued all night in some

cases to withdraw their life savings from local savings

banks.

At 7.30 am on Friday morning, Ohio Governor Richard Celeste assured himself of a place in the history books by announcing that in view of the severe and spreading lack of confidence, "he was ordering a three-day bank holiday" for the 71 local savings banks insured by the Ohio Deposit Guarantee Fund. Nothing like this has happened in the U.S. since President Franklin D. Roosevelt declared a nationwide Bank

action has sent fresh tremors through a nervous U.S. financial system which, less than a year

ago, was rocked by the run on

Continental Illinois, the eighth biggest U.S. bank. On that occasion small depositors

remained blissfully unaffected by the crisis of confidence which swirled around Chicago's pre-

mier bank. But this time more than half a million small savers

woke up to find the doors of their neighbourhood savings

For the first time the ordinary American bank depositor has been given a taste of the sorts

of dangers lying shead as the U.S. deregulates its financial system. In so doing it has also exposed the fragility of public

confidence in the nation's 3,300 savings banks and reminded the

regulators once again of the ease with which the unexpected

collapse of a tiny financial insti-

tution can rock the whole system. However irrational it

might seem there were distinct signs of a flight to "quality"

in the U.S. financial markets on

Friday as the dollar came under

pressure. Short-term Treasury

of the U.S. Government. So far,

August. He has considerable experi

ence in operational flying and

the appointment suggests that

the future emphasis of the garrison commander's job will

be on aviation. The new Stanley airport, able to handle big jets,

Falklands in :

the air

banks padlocked.

A concerted European appraisal of the CoCom system and of the impact of U.S. controls on Western companies dependent on American technology is expected in June. A nology is expected in June. A draft opinion by one committee of Euro-MPs, still being discussed, suggests there will be hard words. The draft accuses the U.S. of using the strategic argument to protect its own technological dominance "under the cover of secrecy and in the guise of foreign policy." guise of foreign policy." A report commissioned by the

Organisation for Economic Co-operation and Development in Paris, which was allegedly refused publication at the insistence of the U.S., goes even further, and probably too far. It claims the licensing system is motivated by U.S. fears of slipping behind Europe and Japan, that its attempt to license the transfer of knowledge is an ultimately hopeless venture leading to administrative absurdities, and that the Soviet Union gains far less than supposed from its "reverse engineering" of illicity-acquired

The report, by a University of Queensland economics researcher, is too polemical; but it shares the commonly-held conclusion that the present system does more damage to America's allies than it does to the Soviet military machine.

Every government has the right to say what may and may not be sold abroad, but it can-not hope either in law or in practice to supervise the movement of goods once they have left its shores. The U.S. at present delegates allied govern-ments too little responsibility apparently because it does no

#### Contentious requests CoCom should not be dis-

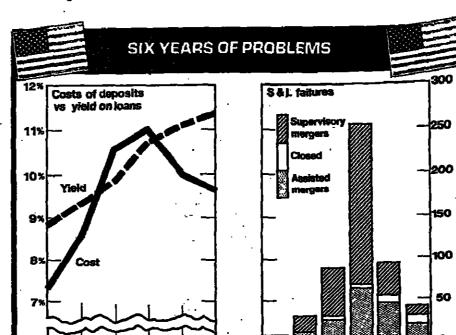
banded, but its small secretariat in the American embassy in cannot—and should have to-pass judgment on any but the most contentious requests lodged by exporters ship goods on the U.S. list of with their governments: Governments can streamline their prope that the Soviet blor can own wetting process by allow buy the same goods elsewhere. Ing mainfacturers — as the Department of Commerce now proposes—to argue their case with civil servants to help them assess whether their products pose a security risk.

As part of the Western world's trading system, the U.S. has to accept that its professed aim of removing distortions to free trade in high-technology products inevitably implies that some valuable knowledge will end up in the wrong hands. There is bound to be a com-The U.S. Commerce Department has been at pains to demonstrate that it is not soft on the strategic question; but controls. The present balance

#### U.S. Savings Banks

# The day the doors stayed shut

by William Hall in New York and Paul Taylor in Cincinnati



GOVERNMENT SECURITIES DEALERS TRANSACTIONS 50

declared a nationwide Bank Holiday in 1933. It restored conall of which remain open for fidence but 4,000 banks never Nevertheless, U.S. savings bank regulators have been made Governor Celeste's emergency

1979

uncomfortably aware that public confidence in the country's savings banks cannot be taken for granted. The U.S. thrift industry is far from healthy due to a combination which turned sour and very dependent on the continued loyalty of its more than 100m small customers.

Over 1,000 U.S. savings banks are still losing money and even the industry's regulators admit that if you strip out the special accounting treatment which allows many savings banks to disguise the weak spots in their balance sheets, the industry as a whole probably has no net tangible worth to support its \$1 trillion (million million) of assets. The strains are showing.

In California, America's big-gest savings bank, which is owned by Financial Corporation of America, recently estimated that it had lost between \$500m and \$700m in 1984, and has been forced to increase sharply the interest rates it is paying to prevent depositors deserting to a safer institution. On the other side of the Con-

pressure. Short-term Treasury on the other side of the Conbill rates plummeted while rates on bank, Certificates of Deposit rose.

U.S. banking regulators have been working overtime nursing the Bowery Savings Bank and U.S. banking regulators have there other leading New York been anxious to play down hast "City Savings banks which lost week's financial panic in Ohio, around \$180m last year. They depicting it as a special case. Unlike the vast majority of U.S. have long since exhausted their true capital base and the regulators hanks, the 71. Ohio insti-Unlike the vast majority of U.S. savings banks, the 71 Ohio institutions which shut their doors tors' rescue plans could be upset if small depositors were to take fright as happened in Ohio last assets of close to \$5bn, were not The run on Ohio's state char-

members of the Federal Deposit Insurance Programme and tered savings banks began after hence did not have the backing of the "full faith and credit" 100 U.S. Thrift Institutions, shut its doors just over a week ago. the run on deposits has not its doors just over a week ago. spread to the 170 Federally Home State is estimated to have spread to the 170 Federally Home State is estimated to have appointed receiver, discovered insured savings banks in Ohio lost \$150m from the collapse that ESM had borrowed \$1.6bn nor the local commercial banks, earlier this month of ESM in securities for itself and its

Government Securities, a little known bond trader based in Fort Lauderdale, Florida. Once it became clear that there was not enough money in the local insurance fund to cover the losses, savers in many of Ohio's smaller savings banks panicked

ESM is the fifth U.S. Government bond dealer to fail in the last three years and several U.S. officials now believe that its will exceed those of losses will exceed those of Drysdale Government Securities, Drysdale's collapse in 1982 severely shook the U.S. financial Formed in 1976 by three bond

and the run spread like wildfire.

dealers, Messrs Ewton, Eneca and Mead (hence the initials ESM), its basic business dif-fered little from that of the hundreds of other second-tier

Everything was fine for ESM as long as nobody looked too closely at its books, which was unlikely since it has always operated in a totally unregu-lated market. As long as its repurchase agreements kept enough cash coming in to meet

its obligations when they fell due, ESM was able to keep its head above water. One U.S. Securities and Exchange Commission (SEC) investigator described ESM's actions as "simi-lar to running in front of a tidal customers became nervous and tions, ESM cansized.

As the investigators began un-

sent Governor, built an extensive financial empire in Ohio and

Florida and at one time was said

to be worth in excess of \$100m.

He made his fortune in the

post-war housing boom in the South and until his resignation

#### The ordinary U.S. depositor has had a taste of the dangers of deregulation

32

dealers in the mushrooming ancial transactions, the name of Mr Marvin Warner, a 67-year-old Cincinnati financier and for-Government securities market where daily turnover frequently exceeds \$75bn. old Cincinnati mancier and for-mer Ambassador to Switzerland, kept surfacing. Mr Warner, a close friend, of ex President. Jimmy Carter and Ohlo's pre-

The firm specialised in com-plex trading strategies, known as repurchase agreements," which are similar to short-term loans. In a typical deal a customer such as a savings bank would use its surplus cash to buy a "packet" of securities, which ESM would agree to buy back at a future date. ESM ings bank got the securities as landing his helicopter on the colleteral with the repurchase roof of the state office building price set high enough to pro-Home State Savings, which did vide the savings bank with a held court as Chairman of the not even rank amongst the top return on its investment. Ohio Building Authority. ESM failed, Mr Tew, the court-When Thomas

GENEVA

arms control

Talks 🞝

Ohio Building Authority. Mr Warner controlled two of ESM's biggest customers, Home State in Cincinnati and American Savings and Loan Association of Miami, American

customers and lent out \$1.3bn. Savings, the second biggest savings bank in Miami, has not been forced to close like Home State and says that after maximum estimated losses of \$55.3m. its net worth is still a fifth above the regulatory minimum. While these two savings

banks have paid dearly for their involvement in the collapse of bond trader, their experience is a cautionary tale for the hundreds of other small U.S. savings banks which have become very big customers of firms like ESM. It underlines the very real risks facing the U.S. thrift institutions as they try to come to terms with the increasingly deregulated en-vironment in which they must

now operate.

U.S. savings banks are attracted to firms like ESM because they are under tremencause they are unser tremen-dous pressure to raise their profitability and find new sources of deposits. Last year the combined earnings of the industry fell by more than a third to around \$1.3bn, which represents a return on assets of around \$1.5 per cent and compares with a figure of around 0.8 per cent at the end of the 1970s. The industry's key capital ratio — regulatory net worth as a percentage of total assets has slipped from over 51 per cent in the late 1970s to 3.88 per

In 1981 and 1982 the U.S. savings bank industry lost over \$8nn raising real fears that many giants would fail. In a bid to save them, the U.S. Congress loosened many of the regulations, enabling them to for their deposits and diversity into new areas to broaden their

earnings base.

The growth into businesses far removed from housing finance is making industry regulators decidedly nervous. Mr lators decidedly nervous. Mr financial services industry. But Edwin Gray, chairman of the Federal Home Loan Bank fresh element of instability into Board, the industry's primary the U.S. financial system.

regulator, has been sounding increasingly alarmed about the enthusiasm for everything from windmill farms to fast food restaurants and airlines.

restaurants and airlines.

Last year the U.S. thrift industry grew by 20 per cent, roughly twice as fast as U.S. commercial banks, notwithstanding the fact that capital ratios are in far worse shape than those of the banks. Mr. Gray has noted than annual growth rates of several hundred percentage points are no longer uncommon and if present uncommon and if present growth rates continue 29 savings institutions would have grown into \$30bn institutions in just four years' time. ....

"This situation differs dramatically from previous periods because with almost total deregulation of interest rates on deposits, growth can result almost entirely from the aggres-sive solicitation and deployment of funds, and very little else," says Mr Gray. Mr Gray says that 80 per cent

of his problem case load three years ago was attributable to interest rate spread problems and only 20 per cent to asset quality. Last year the ratio was almost completely the reverse with had assets the number one problem. He estimates that the cost of resolving these cases will be four to five times higher than the cost of resolving the interest-rate mismatch pr

The rising cost is already tak-ing its toll of the Federal Insurance Fund covering the indus-try's deposits. Despite the rapid growth in deposits the resources of the Federal Savings and Loan Insurance Corporation (FSLIC) have been declining. FSLIC re-serves as a percentage of total deposits has recently dropped sharply from an average 12 per cent to 0.76 per cent at the end of 1984. There is growing pres-sure for the Federal authorities. to recapitalise the insurance fund to maintain credibility. For this reason U.S. Federal

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regulators are reluctant to deplete their resources further by offering to take the 71 Ohio state chartered savings banks under their wing. A preliminary investigation by the U.S. Federal Reserve has indicated that many of the Ohio Thrifts would not qualify for Federal deposit insurance because they are undercapitalised.

An alternative solution to

Ohio's problems would be to arrange a takeover by an out-ofstate commercial bank, anxious to get a foothold in a new market. Citibank, the most aggressive of the U.S. money centre banks in circumventing the barriers to interstate banking, has come to the rescue in

the past.
It is too early to tell whether
the run on Ohio's state charover into other parts of the U.S. financial system. On balance it would be surprising if it did. Up to now the small depositor has not been harmed by the rapid deregulation of the U.S.

#### Foreign bidders are welcome

MR NORMAN TEBBIT, Britain's Trade and Industry Secre-tary, was right not to refer the bid by the Egyptian Al-Fayed brothers for House of Fraser. The decision is in line with his intention, announced last year, to confine merger references as far as possible to cases which threaten to reduce competition; questions about the suitability of a particular individual or company to acquire particular assets would be given less weight in the merger vetting process. This is a welcome shift of

emphasis, even though it involves rough justice for Lourho. Its original bld for House of Fraser came at a time when the "suitability" issue was vogue. The fact that the latest commission report, unlike the 1981 inquiry, could vision to cover services as well find no detriment to the public as manufacturing. interest arising from its ownership of House of Fraser adds the serious point in the affair is not so much Lonrho's discomfiture as the weaknesses which it reveals in merger policy.

#### Weaknesses

under which the commission long as ministers insist on retheir impact on competition.

portant British companies. The and deprive the country of commission has been used for access to fresh capital and this purpose in the past; for management skills. Moreover, example, the bid by Enserch British companies want to be of the U.S. for Davy was refree to make acquisitions overjected by the commission in seas; their interest is in relax-1981, partly on the grounds that ing the curbs on inward investit would damage Davy's role as ment which exists elsewhere, a project leader for British in-dustry.

ment which exists elsewhere, not in creating new barriers at home.

ing Act should be used in this way. The commission's expertise is, or should be, to do with competition. Under the Industry Act of 1975 the Government can prohibit the change of control of

"important manufacturing undertakings" to non-residents foreign ownership represents a genuine threat to the national interest. There might even be a case for extending the pro-

#### Unsatisfactory

standably reluctant to strengthen the Act in this way, for fear of sending the wrong signals to potential foreign investors. Yet, the Fair Trading Act procedures are unsatisfac-There is to much ministerial tory; they make it too easy for discretion and the criteria ministers, faced with political pressure, to duck out of the operates are too vague. These responsibility and hand awkward weaknesses will continue as problems to the commission. In general, foreign bidders taining the power under the should be subject to the same Fair Trading Act to refer rules as domestic ones—and mergers for reasons other than those rules should be as clear as possible. To erect a protec-Some argue that these powers tive screen around companies are needed to prevent undesir- regarded as national jewels able foreign takeovers of im- would deter foreign investors

Even if the commission's arguments in the Davy case are regarded as valid, it is questionable whether the Fair Trad-

opens in May.

The main military threat to The main military threat to the islands, is seen as a wild hit and run raid by Argentine pilots. Perhaps it is only coincidence, but the appointment comes only ten days after the Argentine military high command has been shaken up. For the first time an air force officer Brigadier General Tendoro if such a change would be "con-trary to the interests of the United Kingdom or of any substantial part of the United Kingdom," It might be better to use this power, rather than the Fair Trading Act, on those extremely rare occasions when cer. Brigadier General Teodoro Waldner, heads the joint chiefs of staff. His personal view is that the Argentinian navy and army let the air force down in the Falklands conflict.

The Government is underhave good reason to be nervous about the contents of the Chan-cellor's Budget tomorrow. A The Victoria Wine company

**Higher spirits?** 

delicate balance between indirect and direct taxation via liquor, and tobacco—has been part of the basic budgetry equation for the last 100 years. In 1885 the Chancellor of the Exchequer of the day, Hugh C. E. Childers, was offered such alternatives as taxes on cats, soda water, photographs, bicycles, and even names. But he stuck to tradition and raised the duties on spirits by 20 per cent and on beer by 9 per cent. He left wine duty undisturbed

which has been delving into the archives before tomorrow's witching hour reports that even in 1885 the increase on spirits some dismay in the

Nigel Lawson has it in his power to generate the same feeling 100 years later. Tax

#### **Men and Matters**

Breaking with previous tra-dition, the Government has gone to the Royal Air Force for the next commander of the British forces on the Falklands. Air Commodore "Kip" Kemball, to be promoted to Air Vice-Marshal, takes up the post in August. per cent of the retail cost of a bottle of Scotch whisky.

#### Roth's House

This is the morning when MPs who have not subscribed to the latest section of Andrew Roth's Parliamentary Profiles will be lining up in front of one of the House of Commons library's eight chained-down copies in order to assess the likely damage, or advancement to their careers, generated by the en-

Roth, a veteran political writer and Parliament-watcher has cornered a special market with his Parilamentary Profile Services Limited which publishes his books. His Profiles combines the wicked word pic-tures of his old MPs Chart with the hard facts of his Business Background of members, Profiles contains on average, 750 close-packed words on each MP.

To take a typical entry: Geoffrey Rippon will probably not object to Roth's reference to his chairmanship of twentytwo Britannia Group companies or his £32,000 salary. And he is likely to appreciate the Roth assessment of him as a "shrewd, independent, antimonetarist. City tycoon-lawyer.' He is less likely to applaud the assessment from journalist Michael White that he is a "Day

Before Yesterday Man." And unexpecte! aspects of Geoffrey Robinson, Labour's assistant spokesman on trade and industry emerge. Robinson is well-known as a former British Leyland man who headed their Jaguar operation, and helore that, their Innocenti production in Milan.

Less well known is that he

incluie limitations on Milwait's

away games.

was best illustrated by her crack, "I don't think I should follow hi mlike a little dog."

#### Stern at the Fed Appointments to the position

of president of a regional federal reserve bank in the States are always watched with close attention by the Wall Street money men. The 12 regional "fed dents, in rotation, fill four of the slots on the key, monetary policy-making, open market committee of the "fed."
While the regional federal reserve banks may often defer

to the "fed" board in Washington, when it comes to the returned to England with an crunch each, can enjoy its day Italian wife, Marie Elena an in the sun from time to time opera singer whose lack of en-in helping to decide in which thuslasm for his deviation from direction the "fed" should be tycoonery into Labour politics nudging interest rates.

apolis Fed that it is appointing Gary Stern its new president has caught "fed" watchers' eyes. He takes over from Gerald Corrigan, an intimate of the "fed" chairman, Paul Volcker. Corrigan became president of the most influencial of all the "fed" regional banks, the New York Fed, at the beginning of the year.

Clearly it is no coincidence that Stern follows Corrigan

The decision of the Minne-

Stern was seven years at the New York Fed as an economist. Corrigan too worked there. Stern is na ideas man with orthodox views on economics. He is certainly not an ideologue of the monetarist or supply side persuasion. He says of himself that he is much more methodi-cal than Corrigan — who he has described in an interview, in a somewhat enigmatic fashion,

"more inspirational."
All this is certainly reassuring to the "fed" chairman Volcker. His critics in Washington will no doubt accuse him of seeking to "pack" the regional "feds" with former "fed" officials who are likely to be sympathetic with the bank's traditional approach to analysing the U.S. economy.
In Congress eyes will now turn to Jack Kemp, the "fed's" most outspoken critic on Capitol Hill, to see whether the Stern appointment leads him to step up his attack on the central

#### Hard sell

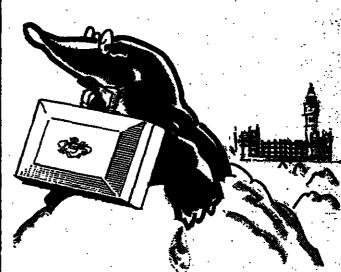
A candidate for salesman of the year must be the vacuum cleaner representative who has been convicted of assualt in London, Ontario. He began demonstrating

cleaner to a housewife in spite of her protesting she was not interested. Husband returned home.

fight broke out. Husband came off worst with cuts and broken The salesman told the court

his boss had told him "when someone says 'no' they really mean 'yes.'

*Observer* 



#### How do those clever chaps at Pannells do it?

Tomorrow afternoon, the Chancellor of the Exchequer reveals his Budget for the next

By first thing Wednesday morning, clients of Pannell Kerr Forster will have a complete summary of all the salient points from his speech on their desk, to consider at leisure. It is not so much inside knowledge as

insight into our clients' needs which makes this small service so invaluable. To find out what we mean, call Sylvia Fincham at our London office and ask for a copy of our 1985 Budget Summary.

This summary is just one of many services we offer our

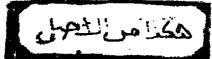
clients and which extend well beyond the traditional requirement for audit and accountancy.



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المكالمن المثول



AFTER THE cuphoria," says Eric Mackie, the burly, fast-talking Disterman who runs the Govan shipyard on the Clyde, "the hard facts set in. Then it's put-up or shut-up time."

The yard was explored bear The yard was euphoric last month after winning a £40m order to build a passenger and freight ferry of cruise-type stan-dards for North Sea routes. It has not built a big passenger ship since the mid-1950s.

In those days, when the industry was still in private hands, the yard (then called Fairfields) built the Empress of Britain for Canadian Pacific.
The Clyde's very last big passenger ship was the mighty
QE2, built in the late 1960s by John Brown. Mr Mackie's " hard facts " are

a reference to the tremendous a reference to the tremendous task that Govan, part of state-owned British Shipbuilders, now faces in building the ship. "This is our testing ground; we'll get our feet wet and our fingers burnt but we'll gain a lot of

The order, placed by Penin-sular and Oriental Steam Navi-gation (P & O) for the North Sea Feries company in which its partner is Nedlloyd of the Netherlands, is the latest in an umusual run of good news for

New merchant ship business so far this year totals around £120m and nearly £300m worth of defence orders for two frigates have also been placed. Several other merchant orders are in the pipeline notably for Sunderland Shipbuilders, which hopes to receive a £45m order

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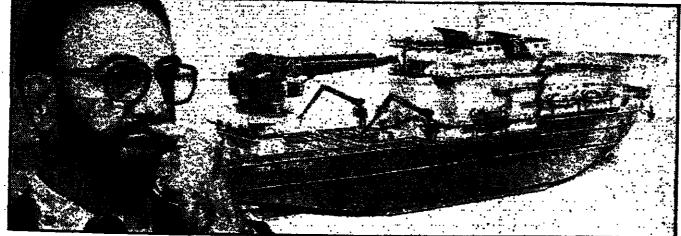
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But despite the upturn in work and the fall in losses, attributable to a tough productivity drive and the sale or closure of the most obvious loss-makers, the group still has a hard ride ahead. Thus, the "hard facts" that Mr Mackie stoke of here week wides such spoke of have much wider appli-

cation for BS. On the three fronts of heading off losses, selling warships and pulling in merchant orders, progress is being made. But jobs have suffered and more are being shed. This year alone, BS has announced it will have to make nearly 2,000 more redundant. It now employs only 10,000 people on the merchant side against 34,000 at the time of nationalisation in 1977. and 22,000 two years ago.

So while it may seem most of the news at BS is good, what

BRITISH SHIPBUILDERS



Graham Day, BS chairman, and the Stena Seawell, built by Sunderland Shipbuilders for Stena of Sweden

#### At last a glimpse of Daylight

By Andrew Fisher, Shipping Correspondent

Petroleum.

In the eight years since nationalisation, the industry has had £1.3bn in public dividend capital, Intervention Fund sub-sidies for new orders (£250m sione), and redundancy pay-

to build a crane-ship for a UK owner.

With BS's monumental losses now on the way down Mr Graham Day, the chairman, is picking up a £15,000 bonus for his first year to add to his £80,000 talary, the highest paid to the head of a nationalised company. He moved into the chair in September 1. This was why Mr Norman of the Lamont, Industry Minister, I stated so bluntly in a recent speech: "We are at the most critical juncture in the history of shipbuilding in the UK." Though willing to buy more time for the industry, "this Government is not prepared to maintain support without clear and unequivocal indications . unequivocal indications that the time that taxpayers' money so expensively buys is being put to the best possible

And it is to the Canadian-born Mr Day that the Govern-

the chair is:

 Pushed through flexible working practices to break down demarcation lines and boost productivity. These were agreed early last year after some tough union opposition. • Slimmed the group's size by closing three small merchant yards, selling most of the shipyards, sealing most or the simp-repair activities, and retreating from the offshore rig sector, notably with the sale of the problem-ridden Scott Lithgow yard on the Clyde.

tion the warship yards. The have tended to mix business largest are Yarrow, also on the aspects with those of public Clyde, for which GEC and trustee and administrator—" a Trafalgar House (buyer of little bit above the commercial Clyde, for which GEC and Trafalgar House (buyer of born Mr Day that the Government is looking for such signs.
BS's latest merchant orders, including the ferry order which was won against European and War Eastern competition, still Laird on Merseyside and Swan Furner on the Tyne, which

• Helped prepare for privatisa-

capacity's effectiveness.

What the outspoken, blackbearded Mr Day has done at financial year to March 31, 1984, tonnes.

BS in his first 18 months in a large chunk over oil rig conThis order inflow target of around 200,000 compensated gross This will be around double tracts with Britoil and British

the previous year and reverse two years of decline. (The cgt measurement takes into account not just the weight and size of the ship, but also its work and The year before that, losses had soared from £20m to £117m, with Scott Lithgow also the main culprit. But in 1984-85, BS time content.) reckons losses should be only around £50m. In the new finan-

He is not expecting any recovery in the world industry. "It would be nice if the market cial year about to start, they should be lower. picked up. But I'm not assuming Mr Day's attitude as BS chairany significant price or volume improvement in the short term. man, with a close eye on market and financial realities, may be Thus he reckons, "the only way we're going to survive is by becoming proportionately regarded by some, he admits, as "crassly commercial." Past views of running state concerns

Over the last year or so, productivity at BS yards has risen by well over 10 per cent, reflect-ing both investment—BS has to hurly-burly."
Under him, BS has stopped date spent more than £15m on computer equipment as a design Under him, BS has stopped trying to compete with the rest of the world across the broad range of shipbuilding. It is content to leave the big tanker, bulk cargo, and container vessels to the Japanese and South Koreans. and manufacturing aid-and greater flexibility between shipyard trades as a result of last year's deal with the unions.

Mr Mackie estimates that productivity at Govan, now employing 2,200 people, has gone up some 25 per cent since he went there in 1979. Then, it employed 6,000 people. The new Instead, with less than 2 per cent of the world market, BS aims to offer a range of more specialised vessels such as offferry order will require it to add up to 300 jobs.

against 34,000 at the time of nationalisation in 1977, and 22,000 two years ago.

So while it may seem most of the news at BS is good, what is left of the corporation must now face one of its hardest tests now face one of its hardest tests own feet with the minimum of 18 months in line with the subsidy.

So while it may seem most to the functionalisation in 1977, and 22,000 two years ago.

Mr Day reckons the UK industry has done more than any other in western Europe whether it can stand on its own feet with the minimum of 18 months in line with the subsidy.

So while it may seem most car adjust more smoothly to the industry has done more than any other in western Europe to the industry. The string towards break-even," says Mr Day, "It's tankers, and multi-purpose tankers, and multi-purpose to survive," believes Mr Mackie. The thinks it can be achieved to factory-type methods which say of the reduce to the up-market tankers, and multi-purpose the first psychological hurdle."

He thinks it can be achieved to the preparatory work and talks to land orders. It's a long cycle, lumpy industry." But Mr Day is confident that BS will, in the subsidy.

The group's losses have gone or so of within the planning horizon."

(BS's latest corporate plan runs to the 1987-88 financial year soon to market and to increase that gone through some wild gyra-

bull first and then putting in cabins, engines, and other equip-ment, with masses of men swarming over the ship and each skilled man waiting for another to finish, the trend is to build as much as possible in parallel.

Instead of constructing the

Govan's increasing efficiency, says Mr Mackie, generates its own frightening impetus. "One of the things about better productivity is that you are creating a hungry, bloody animal and you've got to feed it."

Thus Govan hopes soon to win a Turkish order for three bulk carriers worth around \$80m. Because of the ferry, to be ready in 1987, one of these will now he built at Sundayless. will now be built at Sunderland Shipbuilders.

At the small end of the market, Ferguson-Ailsa in Scotland concentrates on offshore supply and support ships—it has won some film of such business from Canada and the UK in recent monts—and has just won a film order from the UK Government for a fisheries research vessel.

"We had a very lean year in 1984," says Mr John Peach, managing director of Ferguson-Ailsa, which employs 750 people at Port Glasgow and Troon. Its highly specialised, high value added ships are well suited in size and type to the sophisticated modular building

It was mainly to act as a shock to the system that the Government brought in Mr Day to head the group after Sir Robert Atkinson, under whom losses had declined and then shot up again. "If the situation had not been seen to be critical, I do not think I would have been invited to return," says the Canadian.

A former boss of Cammell Laird, recently thrown a lifeline with the new frigate order after the workforce turned its back on militant pickets, Mr Day was to have become BS chief executive on nationalisa-tion in 1977. But he left before the necessary Bill had passe Parliament, frustrated h

lengthy delays. He reckons he has so far done most of what he set out to do initially after his return in 1983. "It has been as arduous as I expected." He hopes no more major redundancies will be required after the latest

"I heartily dislike making people unemployed. I hate that. But I have been totally con-vinced that unless you do, then the whole lot could be down the

"I am determined to do what

Mr Eddle Sheh has esked us to say that he was a "production assistant" on Coronation Street, and not a producer as stated in last Saturday's Financial Times.

#### Lombard

#### Now for a supply side programme

By Samuel Brittan

THE DAY before the UK Budourselves that stagnation can-not be removed by the Chancel-lor raising a few taxes here, lowering others there, doing something clever in the finan-cial markets and taking away the number he first thought of.

ine number he first thought of.

It might therefore be healthy
to outline four examples of
supply side reform which, if
they were acted upon, would
make far more difference to
jobs and growth than anything
strictly hudgetary.

The removal of all restrictions are seed imports. tions on coal imports.

The removal of all domestic

UK farm support not required by the EEC.

The abolition of Wages Councils which fix the minimum pay

of 2m to 3m workers.

The abolition of rent controls.

It would be far more worth taking the political flack if these reforms were introduced together, so that the total benefits would be large enough to be noticed. Otherwise they might merely be seen as indi-vidual pieces of hard-heartedness. The main reason for "not

gloating" over the failure of the coal strike is that it is so easy for governments to snatch defeat from the jaws of victerest from the Jaws of vic-tory. The two ministers most responsible for the Govern-ment's success over Arthur Scargill were Peter Walker's predecessor at energy, who made sure of ample coal stocks, and the minister in charge of the police, who defeated the flying pickets.

If their efforts are not to be

thrown away, the artificial insu-lation of UK coal from international markets must end, by allowing the generating boards to buy coal in the cheapest market. Only then can we learn which pits have a chance of paying their way and begin the process of "workers' privatisa-

tural support spills over into land, prices and benefits the landowner rather than the work-

The UK's ultimate aim should get is a good time to remind be to let the CAP die of finan-ourselves that stagilation cancial starvation, but in the meanwhile there are numerous sup-port schemes, national price guarantees and price-raising marketing boards, especially for milk, which the Government could abolish of its own voltion not to speak of farm relating. The third reform, the aboli-tion of wages councils, should

go without saying for a Government that talks of pricing people into jobs. Wages councils represent the false humanitarianism of preferring "no pay" to "low pay." Yet scarcely credible though it is, the Government has kicked itself in the teeth by inspiring Press stories that wages councils' control will be lifted mainly for the young, who form a small part of the labour force, and whom ministers want

to pressurise into "training" in As for abolishing control, which is also unlikely, an excellent summary of the an excellent summary of the case was made by none other than the Chancellor's Parliamentary Private Secretary, Peter Lilley, in a debate on March 8. In his own constituency of St Alban's, jobs are available, but lack of accommodation is deterring workers

from moving to take them. Freeing rents would be both inequitable and less than fully effective so long as mortgage interest relief for owner occupiers remains. For the latter drives up the prices of houses and land, just like farm subsi-

The four measures mentioned above are interrelated. Greater mobility is required if redun-dant miners or farmers are to find jobs and if full advantage is to be taken of the abolition of minimum pay. Thus decon-trol of rents is an essential

paying their way and begin the process of "workers' privatisation" which is far more important than "managements' right to manage."

The would be fair-minded to couple the above with an attack on a very different interest group, the farming lobby. A recent study Farming for Farmers (Richard Howarth, Institute of Economic Affairs, £4) demonstrates how most agricultural support spills over into shrouded indefinitely from unwelcome truths, especially if they want to govern rather than

#### Qualified people

From the General Secretary, . Institution of Chemical

Sir.—In his Lombard column (March 11), Michael Prowse puts the case for promoting competition within the professions and then leads to a more provocative question as to whether there is a need for the professions at all his claim being apparently based on the fact that the oil thoustry does not suffer because entry to that area of industrial activity is not restricted to "newly-minted oil profes-sionals."

This is a grotesque mis-understanding of the nature of an industry which needs to re-cruit people from many dif-ferent disciplines, the main areas from which that industry recruits being engineering and science but also including a science but also including a necessary smattering of lawyers, medics and others. Indeed the oil industry in this country 
employs a greater percentage of professionally qualified 
people than any other industrial 
sector. If one analyses the 
professional background of the 
boards of directors and senior boards of directors and senior managements of the oil com-panies then to use Mr Prowse's phrase a significant majority indeed do have "fancy letters after their names."

The industry depends on the professions to accredit the academic component of education courses within the university and polytechnic sectors and at least in the case of engineers.

#### Letters to the Editor

Looking at the Press From the Managing Director,

ORU.

Sir,—I read with interest Sue Cameron's report (March 12) on the Newspaper Society's sales conference at which I was sales conference at which I was a guest speaker. The quotes which were extracted from my presentation in the valid interests of lively journalism nonetheless painted rather an unfairly scathing picture of the local or regional press and its readers.

doubt that an extremety strong popularity base for local news-papers emerged during our studies. Many publications genuinely satisfied a remarkably diverse readership comprising people who were not all victims of the chronic human "frailties" selectively extracted from my talk.

downthment poney and is unable lact that the three perhaps most decisive issues determining our competitive-ness (productivity, design and lighting, furniture and office—for instance, unsuital lighting, furniture and office—for instance, unsuital lighting. And this is large to do with government.

Why doesn't he—and others in Nedo—stop to ask; how is it that the French "Patronat" 8, Southampton Place, WC1.

to chartered status. T. J. Evans, 165-71, Railway Terrace, Rugby.

and weaknesses. They are pre-pared to reassess their image, "product" and target audience in order to build on their exist-ing success, using outside research consultants. I think this is a braver philosophy than that adopted by many examples of British industry who either do so half heartedly or indeed not at all.

Graham Woodbam. PO Box 203, Green Bank, EL

> Preaching to the unions

infairly scaume infairly scaume infairly scaume infairly scaume infairly scaume infairly scaume infairly beginning the regional press, and there is no doubt that an extremely strong popularity base for local newspapers emerged during our studies. Many publications studies. Many publications is studies. Many publications of the complete infairly satisfied a remark-satisfied a remark-satisfied a remark-all studies. The complete infairly satisfied a remark-all studies in the complete infairly satisfied a remark-all studies. The complete infairly satisfied a remark-all studies in the complete infairly satisfied a remark-all studies. The complete infairly satisfied a remark-all studies in the complete infairly satisfied a remark-all studies. The complete infairly satisfied a remark-all studies in the complete infairly satisfied a remark-all studies. The complete infairly satisfied a remark-all studies in the complete infairly satisfied a remark-all studies. The complete infairly satisfied a remark-all studies in the complete infairly satisfied a remark-all studies in the complete infairly satisfied a remark-all studies in the complete infairly satisfied a remark-all studies. The complete infairly satisfied a remark-all studies in the complete infairly satisfied a remark-all studies. The complete infairly satisfied a remark-all studies in the complet infairly satisfied a remark-all studies in the complete infairl

succeeded in "selling" the productivity concept to the Communist-led trade unions while he and his colleagues failed so miserably? They might have succeeded if—instead of wasting millions on reports— they had devoted those funds to a personal approach; preaching the "productivity gospel" to thousands of companies. Now, belatedly (and, in essence Mr McGregor concedes my point here) Nedo is trying to do it with a tiny "sales force." Far too little and too late. But he is certainly right when he corrects me on one point; it was not 20 but as he says. 23 years not 20 but, as he says, 23 years that had been wasted. Andrew Tessler.

shore support ships, ferries, gas

carriers, dredgers, oil product tankers, and multi-purpose

Silverwood, Park Copse, Dorking, Surrey.

VDUs in the office

From the Director General, Business Equipment Trade Association

Sir,-Having read your appraisal (March 11) of the Apex report on the health aspects of using visual display units, I would like to comment. It is of the utmost importance

to emphasize that the use of the VDU is not, in itself, a health hazard. The information technology industry has always been at pains to point out the is, in the main, caused by en-vironmental conditions in the office—for instance, unsuitable lighting, furniture and office seating. And this is largely substantiated by the Apex

# MISSOURI.

The Profit Center.

Contribution rates and the affordability of future pensions reflects the government's policy reasonably be able or willing and practice. Mr Johnston's to afford our pensions. Conjugate the property of the basis of prices only uprational tribution rate changes depend the basis of prices only uprations. The basis of prices only uprational tribution rate changes depend the basis of prices only uprational tribution rate changes depend the basis of prices only uprations.

From Judy McKnight. Sir,—Mr Edward Johnston (March 1) surely does protest too much and answer too little. No one who has read his excellent 1982 quinquennial review doubts but that the cost of the state earnings related pension scheme (SERPS) will increase scheme (SERPS) will increase over the next 40 years—as appendix H indicates, On the then assumptions and at 1981-82 earnings levels, SERPS costs are projected to increase from £144m currently to £6.5bn in 2025-26. That report more properly and usefully indicates that on the same assumptions. that on the same assumptions, the total class 1 standard national insurance rate would increase over the period from 15.3 per cent to 20.3 per cent.

But the issues raised by Mr Cullen are more substantial and require a more careful response from the Government Actuary. In 1982 he assumed ment pension would be uprated in line with earnings from year to year. Current legislation in fact provides for increases in measure which indicates which indicates which indicates which is at stark variance with the described to the standing lies in changes in contribution rates. This is the which indicates reasonable for the longer term."

Mane with prices only and den or anormating of ruther annum.

This is the but of the longer term. This is the which indicates reasonable for the longer term. The pensions and the pensions of the longer term annum.

Action for Benefit, annum.

Public Servants, 124-130 Southwork Street, SE1.

the basis of prices only upratings, the increase in contribution rates (for pensions only) would be a rise from 12.5 per cent now to a mere 14.7 per cent in 2025-26. This latter projection not only includes the revised estimates of fertility and mortality changes but also the reduction of the Treasury Supplement from 13 per cent to 11 per cent. It is hardly possible to reconcile Mr John-ston's assertion about the "substantial emerging pension payments during the first quarter of the next century" with contribution increases of a mere 2.2 percentage points over the

next 40 years. As Mr Johnstone knows better than most of us, it is neither sensible nor relevant to consider the costs of pension payments in assessing the bur-den or affordability of future

tions of demographic changes, but quintessentially on the basis of uprating pensions over the next half a century coupled Actuary's estimates reveal. The most startling of the

will be only 11 per cent per Judy McKnight.

Government Actuary's 1984

assumptions is the bland accept-

ance that the gap between earn-

current recession how much higher could growth be once the policies of the medium term with the average annual gap between price increases and earnings increases. The gap is a reasonable proxy to annual productive economic growth. It is a reasonable proxy to annual productive economic growth. It is a reasonable proxy to annual productive economic growth. It is a reasonable proxy to annual productive economic growth. It is a reasonable proxy to annual gap is a reasonable proxy to a reasonable productive economic growth. It is from the increased wealth formulation of working contributors over the next 40 years that the increasing costs of state pension payments can answers as well as the questions. readily be afforded, as even a Mr Johnston can clear the cursory examination of the imputations against his own fine print of the Government and his Department's independence only by complete and explicit description of the assumptions for his projectionsfeatures which are lacking both in his 1984 publications and his ings increases and price in in his 1984 publications over the next 40 years letter of March 1.

if you're considering expansion or relocation in the U.S., you'll profit from being right in the center. In-Missouri Because Missouri is more than just the population center of the U.S., it's also a major transportation centre.

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#### **FINANCIAL TIMES**

Monday March 18 1985



Michael Morgan on Wall Street

#### NYSE's battle to stay No. 1

the New York Stock Exchange, last month set out his vision of the future. It was a world, he said, in which stock exchanges would be linked worldwide, engaged in "24hour, seven-days-a-week trading in stocks of 200 to 300 large, well-

The key to this brave new world, Mr Phelan added, would be un-precedented advances in technology. In recent years, the NYSE has completed a \$100m fully electronic

trading system.

Mr Phelan's emphasis on the international arena underlines the NYSE's determination to remain the world's premier stock exchange. But technology is not only a weapon in the international market. It is also a necessary defence against the inter challenge to the exchange coming from the rapidly-growing, computer-based Nasdag Over-the-Counter market

Nasdaq is seen to pose a threat to the NYSE because of its attraction to many of the new, high-technology companies which are the big beneficiaries of economic growth. Traditionally, new companies like these would have used the

smaller exchange as a route to a listing on the NYSE, but some of Nasdaq's erstwhile infants have now grown into mature companies without showing any signs of wanting to make the move to the Big Board, as the NYSE is familiarly known. Indeed, even the NYSE concedes that there are now 250 com-panies on Nasdaq that would meet Big Board listing requirements.

Nasdaq is growing at an extreme-ly rapid pace, while total listings on the NYSE have been more or less stable for the last five years at about 1,550. Membership of the Nasdag national market system the most prominent part of the Nasdag market, where stocks are subject to last sale reporting - grew from 682 to 1,080 in 1984 alone.

In response, the NYSE points out that 450 new companies have been listed - many from Nasdaq - since 1979; but a similar number have disappeared, swallowed up by mergers and acquisitions. It adds that the value of shares traded on the Big Board has grown from \$389bn in 1981 to \$784bn last year. The value of Nasdaq trading has grown from \$71 bn to \$153 bn in the same period

The NYSE is responding to the challenge from the newer exchange on three fronts. First, it has speni heavily on technology to keep its trading system as efficient as possi-

The iron test for these new electronic systems has come in the last 12 months, when trading has been characterised by huge short-lived surges in demand. Only a few years ago the Big Board would have been unable to handle the 237m share deals which passed through the exchange on its record-breaking day of August 3 1984.

Second, the NYSE is edging ahead towards the 24-hour-a-day trading pattern. One sign is a proposal to extend trading hours by half an hour at each end of the day.

Another is a merger proposal with the Pacific Stock Exchange in Los Angeles. Some Big Board investors already use the Pacific Exchange to deal in stocks after the NYSE is closed, but a merger agree-ment would expand the range of might be accompanied by an extension in the Los Angeles exchange's opening hours to allow trading to continue to as late as 7pm eastern standard time.

In addition, the NYSE is talking to the London Stock Exchange about the possibility of some joint venture, and says Tokyo would be

the next logical step.

Third, the NYSE is aiming to expand its product range. The Big Board recently won approval from the Securities and Exchange Commission to trade stock options, and if the merger with the Pacific comes off, it aims to start trading the other exchange's existing op-tions. Just over a year ago the NYSE introduced two stock index option contracts, which it would like to trade in the Pacific exchange

after the proposed merger.
One question raised by this push towards new trading horizons is whether the NYSE will be able to maintain its high listing requirements, generally regarded as a model for other exchanges.

In particular, critics have homed

in on a sub-committee proposal that companies should be able to create

companies should be able to create dual classes of common stock, which might have disproportionate voting rights.

Under the NYSE's strict listing requirements companies are not allowed to issue more than one class of common stock.

There is now, however, a fear that companies could issue special stock and critics charge that this might lead to the practice of issuing shares with preferential voting shares with preferential voting rights simply to prevent unwelcome

#### Gandhi eases controls to stimulate industry

BY JOHN ELLIOTT IN NEW DELHI

India's industrial controls was launched at the weekend by the Government of Mr Rajiv Gandhi in an attempt to stimulate industrial investment and efficiency.

Nearly half the companies covered by the country's monopoly legislation are to be freed from its basic controls, and 25 industries are being exempted from basic licensing procedures.
Customs and excise duties have

een cut or removed on computers and other electronics equipment, nies growing so large that they and corporation tax has been cut at form concentrations of economic the start of three years of progres-

The plans, which provide India's private sector with its biggest chal-enge in the country's 38 years since the budget speech delivered to the Indian parliament on Saturday by Mr Vishwanath Pratap Singh, the Finance Minister. They were widely welcomed by industry yesterday.

Mr Gandhi is committed to changing the course of India's tradi-tionally protectionist policies and complex bureaucratic controls in an industrial federations.

The Ministry of Industry esti-mates that about 800 of 1,700 com-

A WIDE-RANGING relaxation of attempt to boost annual industrial panies covered by the act will be exempted from the legislation. This
aumohed at the weekend by the and 9 per cent.

aumohed at the weekend by the allowed to in-Further measures will follow in vest in any industry instead of being restricted to the ministry's list India's annual trade policy statement early next month. They include a switch, already started, from detailed controls on individual of key industries, known as appendix one.

The 25 industries being exempted from basic licensing include motor imports to selective import duties. The most dramatic announcecomponents, cycles, machine tools, agricultural equipment, some in-dustrial and office machinery, bulk ment in the budget speech con-cerned the country's Monopolies and Restrictive Practices Act which drugs developed in India, leather aims at stopping individual compa-

goods, and glassware.
This move follows other recent changes in industrial licensing The bottom limit for the asset val-ue of companies falling within the tic in a series of initiatives launched

in the past four years. To encourage the electronics invanced computers not made in In-dia are to be cancelled, and all excise duty on Indian-made and imported computers is being removed. Customs duties on some computer been no increase in the past 15 years and the new limit is twice as high as the Rs 500m requested by and other electronics compo are being reduced to cut India man-

#### First vote setback for Greek presidential candidate

By Andriana lerodiaconou

THE GREEK Parliament yesterday failed to elect in the first round Mr Christos Sartzetakis, the ruling Socialist Party (Pasok) candidate, as president of the Republic.

The Supreme Court judge needed a two-thirds majority in the 300member Parliament yesterday to get into the first of three rounds of voting. However, only 178 MPs voted in his favour, three votes were blank and three invalid. The 113 conservative opposition MPs who attended the poll abstained from casting ballots

Three absentees made up the balance - one conservative and two Socialist MPs. One Socialist minister was travelling abroad on official business, and the second, Mr Yiannis Alevras is the acting President of the Republic and former speaker of the House whose right to vote in the presidential elections is in doubt under the constitution.

The result was disconcerting for the Government, not because their candidate failed to draw the 200 votes needed for election in the first round - the distribution of parliamentary seats in conjunction with the declared positions of the parties ruled this out from the start – but secause it fell short of the reduced, 180-strong majority, needed to get Mr Sartzetakis elected in a third round on March 29.

The second round will he held ext Saturday, but again 200 votes re needed for election.

If Mr Sartzetakis is not ultimat ly elected, the Socialists will have to cope with early general elections in May - automatically prescribed by the constitution having suffered a loss of political face. The Government caused a furore one week ago when it put forward a candidate for the presidency. The Socialists had previously supported the re-election of Mr Constantine Karamanlis, a former Conservative Prime Minister and Greece's President since 1980. Mr Karamanlis resigned after the Socialist decision was an-

Furthermore, there may have been some dissenters among the 164 Socialist MPs who voted yester-

resident's vote the decider and the Government is expected to fight to secure Mr Alevras' right to vote be-The country's constitutional ex-perts, called on by the Government

for advice last week, were divided on the issue. The Government has now decided to put the matter before parliament. A Government official claimed

yesterday that the results of the first round demonstrated "the com-plete unity" of the Socialist parliamentary group.

#### Iranian threat to main route

Continued from Page 1 bardment of Iranian cities. Several missiles yesterday hit the town of Dezful and nearby village of Andimeshk killing about 12 people and wounding 200, according to Tehran radio. Iraqi aircraft also attacked Iranian cities but Iran claimed that a raid on Tehran had been beaten

Iraq later declared Iranian airspace to be a prohibited war zone and said civilian aircraft could be exposed to attack from 1700 GMT today. Several European airlines serve Tehran and at least two last week announced a temporary suspension of flights.

The increased level of fighting in the Gulf war has brought a flurry of international appeals for restraint. Iraq yesterday sought the help of the United Nations in securing a ceaselire and a return by both coun tries to the international border. On Friday the Security Council urged a and the Pope yesterday said de-

#### Leading chemicals groups lift plastics prices 10% in Europe

BY TONY JACKSON, CHEMICALS CORRESPONDENT, IN LONDON

PLASTICS prices across Europe are rising sharply after a long peri-od of decline. Supply shortages are allowing major producers such as ICI, Shell and BP to push through increases of 10 per cent and more across a wide range of commodity

aused damage to a number of plants throughout Europe, in the South of France especially. In many cases repairs are still being carried out. Also, a cracker in Cologne owned by Rheinische Olefin Werke which exploded in January is still out of commission, and production difficulties are being experienced by Norwegian manufacturer

The price rises apply in particular to low density polyethylene (LDPE), high density polyethylene (HDPE) and polypropylene (PP). Given the acute overcapacity still

"stocks of both LDPE and HDPE are at their lowest level for two years." In PP, according to Shell, "supply is very tight right across Europe, and a number of producers

act's jurisdiction was raised from

Rs 200m (\$15m) to Rs 1bn. This

merely restores the limit to the lev-el originally set in 1969, after allow-

ing for inflation. It was a major con-

on, however, because there has

have run out of stock entirely." At a time when dollar strength is pushing the price of naphtha feedstocks to all-time highs, producers have had every incentive to take advantage of supply shortages, however temporary.
In LDPE, says Mr Ivan Gooch, a

leading official for the UK plastics converting industry, we have had two bouts of increases this year so far, amounting to around 19 per cent, and we are likely to be faced with another 10 per cent in the course of this month."

(55 cents) per kilo of general purpose LDPE, DM 1.80 for HDPE. "By plant closures. An additional cause was the expected arrival of low-cost product from Saudi Arabia. Both stocks down in January and February in the expectation that the price weakness of previous months would continue further.

\*\*MOFE and DER 1.80 for HDPE. "By product from Saudi Arabia. Both factors still apply, and Saudi linear LDPE is expected to reach Europe in quantity around May of this would continue further.

BP chemicals said as a result February 1, and again on March 1 On the second occasion it was joined by ICI and Shell, which have both pushed up prices by about 6

> The European industry uses D Mark prices as a benchmark, but prices are being raised by the same amount in all local currencies, in-

> cluding sterling.
> ICI said: "It looks like the recovery could go further." Shell said: "We are aiming for further increases in April and May."

It is widely thought, however, that the price increases could prove short-lived. The price collapses of last year – about 35 per cent, in the case of LDPE - were due to European overcapacity of up to 20 per cent, and attempts by producers to build market share ahead of the Increases are still arriving. BP build market share ahead of the Chemicals charges about DM 1.85 next downturn in hopes of avoiding

#### Damascus wary of showdown

skirts of northern Beirut between the Syrian army and the Christian gration. Lebanese forces continued yesterday with clear indications that Damascus, despite repeated warnings and the build up of military pressure, is reluctant to have an armed showdown with the "rebels." Any attempt at decisive military intervention against the Lebanese forces would probably rally almost all the Christian population behind the pro-israeli leader Mr Samir Geagea, who last Thursday led what he called an "uprising" against Syrian interference in Lebanese af-

BY RICHARD JOHNS IN BEIRUT

Foreign diplomats believe Mr Geagea already enjoys the backing of the majority of the Christian community, thus placing President Amin Gemayel in an increasingly untenable position which could lead to his resignation. They believe any move by him to mobilise the recon-

can only weaken the slender authority of President Gemayel following the blow delivered by the Lebanese forces, the combined mili-tia of the Christian Maronites, to the Phalange Party, founded by the head of state's late father and constituting his main power base in the Christian community.

Batroun on the coast inland seems date the dissidents opposed to Mr of most U.S. Embassy staff from Damascus and afforts as an afforts as a forts as an afforts as a forts to amount to no more than a sabre- Levick, were abducted. rattling exercise designed to intimi-

A TENSE stalemate on the out- stituted Lebanese army against the needed if there is to be a lasting podissidents could lead to its disinte-litical settlement. The crisis in the Christian heart-

The continuation of the deadlock thought by Moslems to have been an only weaken the slender austimulated by Israel - has led to what appears to be an intensified effort by Islamic Shia extremists. presumed to be members of Hezbolah, the Iranian-backed "Party of declare their independence from God," to drive foreigners out of predominantly Moslem West Beirut. On Saturday, Mr Terry Ander-son, Middle East bureau chief of the

Christian community.

So far, the deployment of Syrian forces involving up to three brigades across a 16-mile front from Spiritual Christian community.

Associated Press news agency, who is a U.S. citizen, was kidnapped by armed gunmen. Earlier last week two Britons, scientist Mr Geoffrey Nash and businessmen Mr Brian

Gemayel's collaboration with
Damascus and efforts to get agreement on political reforms providing
for a more equitable power sharing

one of the controlled East Beirut Mr.
David Miers, the UK Ambassador,
has advised British citizens to leave
West Beirut.

#### Fed in crisis talks on Ohio banks Continued from Page 1

anxious depositors was receiving ly insured accounts. Many savings more than 1,000 calls an hour bank customers complained that

World Weather

Hundreds of depositers in this The closures have already split normally conservative state expressed growing scepticism, anger cial community. Some federally inand frustration about the savings sured savings banks set up emer-bank closures that have left many of them without access to their tomers of the closed thrifts. Others, money. A hotline set up by the and some shops, now refuse to ac-Governor to handle inquiries from cept cheques drawn on non-lederal-

cheques drawn on their savings bank accounts well before the bank holiday were declared have been returned. Banks and shops are not accepting cheques drawn on Home State accounts since its closure 10

Radio station chat shows and newspapers throughout the state fenceless people were being over-have been deluged with queries whelmed by the conflict.

#### Right gains in France

Continued from Page 1

compared with 45 per cent last litical test and a pre-run of the 1986 week, while the right-wing opposilegislative polls. tion parties would poll 53 per cent compared with 54.2 per cent last

expected to do better in the second round because voting was predomi-

last major series of local elections polled 8.69 per cent of the vote.

According to these first esti- in France before the parliamentary mates, the left would poll about 46.5 elections next year. They have thus per cent of the vote in these cantons been regarded as a key national po-

One of the most interesting aspects of the second round of the cantonal elections was the way in which supporters of the extreme right National Front would vote. The National Front finally agreed nantly in more urban centres, com- last Wednesday to drop candidates pared with the first round involving in cantons where other right-wing l8m voters and many rural areas candidates had chances of winning candidates had chances of winning won by the Opposition.

In the first round, involving about
The cantonal elections are the 2,000 cantons, the National Front

#### THE LEX COLUMN

#### Mr Lawson's box of mysteries

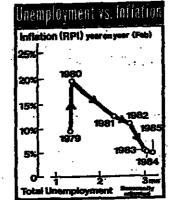
if Mr Nigel Lawson, the UK Chancellor of the Exchequer, had achieved nothing else by means of his first budget in 1984, he could at least claim to have given the City of London a new and much more interesting way of worrying about budgets to come. The traditional guessing game, in which teams of economic analysts competed to estimate the size of the fiscal stimulus, had lost a lot of its edge in an era of medium term strategies - however loosely implemented. Monetary specialists could still earn some kudos (and large gilt-edged commissions) by working out how much government debt the market would be asked to buy, but with every year that passed, the equity market was becoming palpably less sensitive to the level of demand in the economy. By the time Mr Lawson became

Chancellor, creeping boredom had almost succeeded in reducing the budget to its proper constitutional place – as one half of a book-balancing exercise, rather than the focus of the financial year. At that point, the Chancellor's change in the rules, to concentrate on the amount of structural change he could acage - as well as the size of the bun-dle - came as wellcommodate in a given fiscal packcame as rather a shock. This year, it has caused a bull-market in pre-budget speculation; now that there is more to guess than the difference between two large num-

#### Resistance

Less fortunately for the Chancellor, diminishing political returns to innovation appear to have set in rather fast. Last year's reshaping of company tax gave him an easy start in the campaign for fiscal neutrali-ty, since the heaviest burdens fell on the banks, for whom nobody had much sympathy to spare. But it has been obvious to the most stolid of backbenchers that the next target for reform, the taxation of savings, could prove almost as hard to sell in rural Britain as in the boardrooms of insurance companies. The ende-mic drawback of structural reforms -that they offend entrenched interests - is bound to be a particular problem for conservative reform-

if the funds may succeed the clear- year through accelerated payment. novelty.



ing banks as this year's principal butt of tax reform. There is indeed, a respectable case to be made for shifting the balance in favour of personal saving, which would be consistent with the Government's recent talk of an "enterprise budget" - and increase the capacity of small shareholders to pay the calls on their holdings of British Telecom

But if pension funds are to be pulled into the tax net, it should be in the cause of improving the long-run trade-off between personal and institutional saving glad as the funds might be to escape with a supposedly exceptional levy - along the lines of the windfall tax on banks - there is no fiscal logic to such Sheriff of Nottingham tactics. The best that the Treasury could claim for such a raid would be a tainty of plans to avoid tax, which may be no bad thing when it comes to revenue-raising but contradicts everything that the Government

has ever said about the consistency

and predictability of its taxation

the budget has in general been greater this year than for some years past, no doubt intensifying the Chancellor's amusement at the flood of conjecture. Security has For all that, the proposal to tax cial buildings, and caviare. A piece election rises over the planning horthe investment income of pension meal extension of this kind would income the investment income of pension meal extension of this kind would income the proposal to tax. funds has remained persistently in look little more than an attempt to gilt-edged market, to ignore figures the air - along with the taxation of replace the additional VAT revenue which suggest diminishing electoral hump sum benefits - and it looks as that came in on a once-off basis last returns to tightness - as well as to

It would also fall a long way short of executive the doctrinally voured project to switch the ma burden of personal tax from income to consumption - a line of attack on the poverty and employment traps which has been too lightly dismissed as likely to prove regressive.

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If the UK financial institutions yet again escape the imposition of a financial services tax, it may still hope that the Chancellor will offer some compensation for other swings at the capital and revenue foundations of financial companies. Stamp duty is bound to go sooner, rather than later. And an end to the lucrative trade in bond-washing has encouraged hopes of a complemen-tary end to the artificial old capital gains/income distinction on which if rested, doing away with capital gains tax. The logical outcome would indeed be the adoption of an accruals method for taxing all gains, but that is perhaps too radi-cal for even this Chancellor - at any rate this year.

Of course, until the sterling cris which blew up in January, it appeared that Mr Lawson not only had the chance to change the pattern of taxation, but an exceptionally free choice of fiscal stance. The combination of steady devaluation. reviving exports, a reasonably stable dollar oil price and relatively slack interest rates gave him an un-usually free hand, despite the costs of the coal dispute. Despite the pected bounce-back in output the eyes of at least half the marke that freedom has almost completel evaporated. Such is the way of things, moreover, that the perceived need for a tighter finance bill seems to have been reinforcing the opposition to fiscal reform. If the markets succeed in getting

Uncertainty as to the content of a tight tax budget, on top of the re-cently stiffer interest rate policy, they may not enjoy it much. And if Mr Lawson produces a small fiscal adjustment and a PSBR much beblanketed out any new strategic low £7bn the probability is that the themes perhaps more effectively gilt-edged market and the currency than individual measures. Thus, the speculators will not believe him in departure which has been most any case; the White Paper on ex-thoroughly prepared is a modest ex-penditure is not an encouraging tension of the VAT base, generally prelude. In the background, parliasupposed to include newspapers, or mentary pressures to finance an exir advertising revenue, commer- pansion mount as the next general

#### CAPITAL TRANSFER TAX

# **IMMORTAL? ONE WAY AVOIDING**

The (mortal) owner of a successful private company decided to raise money by a public share issue. He transferred a parcel of shares to

a trust fund which was established for his children. The shares have tripled in value.

The increase will pass to the next generation free of tax.

CTT threatens your family assets if they are:

■ worth over £150,000. ■ substantially represented by non-cash securities (property, farmland, shares).

The threat arises because a tax claim might make a sale necessary at a time when values are temporarily depressed.

If your family assets could be threatened, contact Deloittes. People always die at the wrong time.

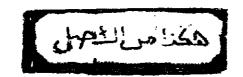
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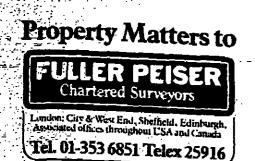
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# SECTION II - COMPANIES AND MARKETS

#### **FINANCIAL TIMES**

Monday March 18 1985



### bank to launch first sterling issue

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

VNESHTORGBANK, the Soviet note issue, a \$500m deal for Comforeign trade bank and the counmonwealth Bank of Australia. try's main international borrower, has turned to Lloyds Bank Interna- Bank of America and Credit Lyontional for what is believed to be its nais, is for a total of \$300m and will

seven-year credit which will bear CEPME has chosen an unusual interest at a margin of % per cent structure, reflecting its belief that over money market rates for the dollar paper is easier to sell to first three years rising to % per cent non-bank investors than Ecu notes. for the last four.

lished recently by the Soviet Union cumbersome tender panel system. of borrowing regularly in a range of different currencies in an apparent sold on a best efforts basis through effort to limit its exchange market risk and diversify its source of funds. Other recent deals include an Ecu 100m credit arranged by Crédit Commercial de France and a year standby credit with utilisation SwFr 100m loan led by Swiss Bank fees and commitment fees on a slid-

in response to falling oil prices and the first year and had been desigto pay for a heavy grain import pro-gramme. It may also be seeking to stretch out the maturity of its existing debt, though given its secretive borrowings of more than one year.

borrowings are meeting a positive return if the credit is fully drawn response from the market, being and are guaranteed a minimum infrequently oversubscribed and income of 7% basis points in facility creased as banks seek to compen; fees even if it is not used at all. sate for a shortage of lending opportunities elsewhere.

- The new deal, which has a grace which is a five-year facility allowing period of four years, is to be offered the issue of up to \$300m in short-to a range of banks in London in-term notes and a \$200m revolving cluding U.S. institutions, even credit to back up commercial paper though these have so far stayed out issues in the U.S.

of Soviet deals for political reasons. Euronote market has become quite for final discussions on the forthbusy. Large facilities were coming eight-year credit for Greece. launched last week for Nationale The amount of this deal is now ex-Nederlanden, the Dutch insurance pected to be \$450m, but the margin company, and for CEPME, the of 1/2 per cent will probably apply for French state agency for financing only three years instead of the four small business. Standard and previously sought by Greece. This Poor's, the U.S. rating agency, has gives a longer, five year period with awarded its first ratings to a Euro- a % per cent margin.

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The CEPME deal, which is led by first publicly syndicated credit in allow the borrower to issue commercial paper in dollars or Euronotes denominated in Ecus.

structure, reflecting its belief that the dollar paper is easier to sell to For the former it has therefore dis-The deal follows a pattern estab- pensed with what it regards as the

The dollar paper will simply be Bank of America and Lehman Brothers, while a tender panel will operate for the Ecu notes.

The facility is backed up by a 10ing scale depending on the extent of Bankers say the Soviet Union has drawings and availability respecstepped up the pace of its foreign tively. Part of the credit, amounting borrowing since last year, probably to \$100m will not be used at all in

approach, this is hard to prove.

The upshot is that banks could expect a respectable 43 basis point

Bank of America is also leading the Nationale Nederlanden dea

Back in the Eurocredit market, 10 Elsewhere, the Eurocredit and banks are to travel to Athens today.

## Soviet foreign trade Primary market restraint proves a welcome relief

UNITL FRIDAY afternoon there market last week. With a huge amount of unsold paper outstanding from February's deals - mostly tive terms. quoted well outside their commissions – and buyers still on strike, revirtually closed, investment banksions – and buyers still on strike, revirtually closed, investment bankhigh at 1% point.

Even so, the volume of issues was straint among syndicate managers is a welcome relief, though not a

cure for the market's ills. ket thin and volatile, Eurodollar bonds passed an unsettled week, spending most of it retracing the gains made on Monday.

The peace in the primary market six-month London interbank of-was broken by Österreichische fered rate (Libor) on Friday was Länderbank launching a \$100m still 1% percentage points. deal with a 12 per cent coupon which rival syndicate managers re- ingly fine terms while still giving

had been no fixed-rate dollar bond sive. The borrower is 85 per centissues launched in the Eurobond owned by Austria, however. The deal should have produced a swap into floating-rate dollars at attrac-

ingenuity to the floating rate market. Numerous variations on that would take a lot of convincing on both exchange and interest rates

Mis-match formula most common.

Out of a total floating-rate issue Out of a total floating-rate issue before they would start buying volume last week of \$2.275bn, straight dollar bonds again. With \$1.85bn give investors the mistrading in the New York bond marmatch play on the yield curve. By refixing the coupon monthly at a six-month rate, investors can fund their holdings at one-month rates.

Borrowers can achieve increas-

garded as % to % point too aggresinvestors a better deal than an ordisive. The borrower is 85 per centnary floater would offer. Even when sterling, European currency units
successes. The currency is regarded nary floater would offer. Even when sterling, European currency units the margin was set at Y per cent and Danish krone while Hambros under London interbank bid rate (Libid) for Den norske Creditbank land dollar markets. If continental

> proving too much of a good thing by the weekend, and many of them were coming under pressure. Dealers noted that the recent batch of mis-match deals have come without any protection against an inverse

> met good demand from diverse sources. It applies the mis-match formula using U.S. Treasury bill rates. By Friday night the issue was largely placed and was trading just outside its selling concession.

Finland's issue - its first FRN -

Syndicate managers are also looking to do business in other cur-

tapped the Australian and New Zeaand Sweden issues, the pick-up European investors are buying anything, it is high coupon bonds where there is a chance of exchange-rate gain.

The Eurosterling market received four new issues, with British Petroleum's deal getting notably cheap funds for the borrower. The deal matures on September 22 1992 - the same day as the UK Government repays its Exchequer 13% per cent 1992 issue. Dealers pointed out that BP could have used the £50m

proceeds of its issue to buy the gilt and pick up a point in yield in the The deal was quoted around its 2 per cent total fees on Friday after-

The Danish krone Eurobond marrency sectors with Morgan Guaran- ket got off to a flying start with the

yields. Recent issues have generally met a good reception in initial trading, as yields have adjust-The generosity of the pricing of the new EIB issue, at 99% with a 8 per cent coupon, came as some Other

thing of a surprise to the market, which had expected the small syndicate banks which led the issue to Week to March 14, 1985 Source: A/EO give the borrower tighter terms.

as a strong one within the European Monetary System and is thus

appealing to other European inves-

holding up well despite the high lev-el of inflation - now 4 per cent -

which is cutting into real bond

The Swiss franc bond market is

tors, while the coupons are high.

Turnover (Sm) U.S.\$ 1,566.2 108.9 1,611.4 29.0 Prev 2,692.9 129.6 1,550.9 203.0

Prev 17,608.5 Other 1,972.0 Prev 2,345.9

On Friday Lourho announced a
SwFr 100m public issue with a likewill be tested today by two issues ly yield of 6% per cent, while today for the World Bank, a DM 300m a public deal for Sweden is expect- public deal and a DM 200m private

NEW	INTE	RNATI	ONAL	BOND	ISSUES	

Borrowers	Apount M.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield	Borrowers	Asicunt De.	Maturity	Av. Efe years	Coupse %	Price	Lead Menager	Offer yield
U.S. DOLLARS		-	<del></del> -					SWISS FRANCS				-			
Citizan Watch 5‡	50	2000	15	3	100	Mildo Sacs (Europe)	3.000	Juken Sangye **§‡	25 30	1998	_	17/2	100	Bancs della Sviz. Ital.	1.875
Cadbury Schwieppes 5‡	89	2000	15	8	400	Reimvort Bensen	8. <b>9</b> 00	Hexan Corp. **5‡		1990	-	134	190	SBC	1.750
Malaysia Ø11	600	2015	3B	(a) 1/2	100	C\$FB	_	Sumitomo Heavy Ind. ‡	100	1993	_	8	100	SBC	6.800
Wells Farge (b) 11	200	2806	15		188	Salomon Brothers	-	Stanley Flectric **\$‡	70	1998	-	134	100	UBS	1.758
Aumer (c) 11	125	1995	10	V16	108	UBS (Sees)	-	EB ‡	150	1995	-	D .	9974	Kradietbank, Gutzwiller, Soditic	6.102
Net. Bank of Canada (d) 11	199	1995	18	₩.	100	Morgan Stacky	-	EdF (g) f‡	100	1997	-	1/2 57/	100 95%	SBC	5.903
Bangkok Bank Øf‡	198	2060	15	(e) (f)	109	CSFB	-	E#1	100	1995 1 <del>9</del> 90	-	5%	95-74	SBC SBC	9.363
Boge Breek, Lausbert Ø12	100	1993	8_	(1)	180	CSFB	4 FA	Nitsui OSK Lines 1	188	1990 1998	-	(31/2) 5%	108	UBS	5.875
St. Paul Cos. §† Toshiba Caracaica §	100 50	2800	15	71/2	100	Goldman Sacks	7.500	Kansai Elec. Power **‡ IADR **†	150 50	1991	=	61/2	100	SBC	6.125
BAP Ø11	38D	2809 2005	15 28	(3)	199 108	Daiwa Europe	-	IADB **I	30 75	1992	Ξ	674	190	SBC .	6.250
Japan Avention Elec. §	, ou 48	2009 2008	45	(f)	180	BKP Daiwa Europe	-	Branchies Holdings "*I	35	1998	=	6 <b>1</b> /4	1081/4	Handelsbank	6.190
Den norske Coedithk Øft	150	2008 1991	13	(3) (1)	100	Salowen Brethers		Lorate Finance	190	1995	-	(BV4)	10074	Kredictionk	0.100
F 4 . W.1	100	1390	•	蚁	100	Citicorp Int.		EMILIES LINEIDES				(0.4)			
Swaden Øf‡	500	28 <b>0</b> 5	28	(k) (D	198	CSFB	_	ECUs							
Ost, Landerbunk I	100	1992	7	12 .	108	Yameichi Int. (Eur)	12,800	EN (h) †‡	135 75	1992	7	<b>1/2</b>	10 <del>0</del>	Mergan Guaranty .	. <b>–</b>
				<u>'-</u>				Megel Finance ‡	75	1995	18	181/2	190	Credit Lyonnais	10.125
CANADIAN DOLLARS								STERLING							
Designalins de Chebec 1	50	1998	5	121/2	100	Wood Sundy	12.588	PRIVATI:askes 1	20	1992	7	117/2	100	S. G. Warburg	11.875
Bell Canada 1	125	1997	12	121/4	180	UBS (Secs)	12.250	Sterling Drug 1	38	1998	5	10%	180	Morgan Guaranty	10.875
Montreal Transport ‡	28	1992	7	123/4	188	Bge int. a Luxem.	12.758	BP 1	58	1 <b>99</b> 2	71/2	1934	993/4	Morgan Speranty	10.773
								World Bank ‡	108	1995	10	1174	951/2	Baring Brothers	11.336
AUSTRALIAN DOLLARS								DANISH KRONNER							
G. J. Coles ‡	25	1998	5	1374	100	Hembras Bank	13.250	EIB ±	258	1995	10	12	99	Sperakassen	12.178
								Nordic ter. Bank ‡	200	1998	5	12	100	Morgan Gueranty -	12.000
NEW ZEALAND DOLLARS	-	4000		****	400	D - L D - L	40 Car	GUELDERS							
Danjeb Olivanic ‡	25 	1998		15%	100	Hambros Bank	15.625	FGH Mortgage Bank, ""‡	50	1990	5	81/4	180	NMB	8.25E
D-MARKS Distributor T		1998	5	(3%)	108	Deutsche Bank	•	LICKEMBOURG FRANCS City of Gothenburg ""İ	258	1998	5	10	1081/4	Bge Paribas Luxen,	9.934

(a) At Sm Libor. (f) At Sm Libid, (g) Vs over Sm Liber. (h) Vs over 3m Libor. (i) At V1e tender Sm Libid. (k) 60 bp over Sm T-Sills, no

This advertisement complies with the requirements of the Council of The Stock Exchange of the United Kingdom and



#### **Royal Trustco Limited** (Incorporated with limited liability in Canada)

£30,000,000

11% per cent. Bonds 1990

Issue price 100 per cent.

The following have agreed to subscribe or procure subscribers for the Bonds:-

S. G. Warburg & Co. Ltd. Amro International Limited Baring Brothers & Co., Limited County Bank Limited Hambros Bank Limited Kredietbank N.V. Morgan Guaranty Ltd The Nikko Securities Co., (Europe) Ltd.

The Royal Trust Company of Canada Société Générale Swiss Bank Corporation International Limited

Wardley London Limited

Application has been made to the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland for the Bonds to be admitted to the Official List. Interest on the Bonds is payable annually on 27th March, the first such payment being due on 27th March, 1986.

The Royal Trust Company of Canada, Royal Trust House, 48-50 Cannon Street, London EC4N 6LD

Listing Particulars are available in the Extel Statistical Service and copies may be obtained during usual business hours up to a 1985 from the Company Announcements Office of The Stock Exchange and up to and including 2nd April, 1985 from:— Hoare Govett Ltd.,

Yamaichi International (Europe) Limited

J. Henry Schroder Wagg & Co. Limited

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Samuel Montagu & Co. Limited

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Kleinwort, Benson Limited

Orion Royal Bank Limited

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**CIBC Limited** 

All these Notes have been sold. This announcement appears as a matter of record only



#### elf aquitaine

Société Nationale Elf Aquitaine

U.S.\$100,000,000 103/4 per cent. Notes due 15th March, 1989

Issue Price 100 per cent.

Hambros Bank Limited

Union Bank of Switzerland (Securities) Limited

**Amro International Limited** 

**Banque Indosuez** 

Banque Nationale de Paris

**Banque Paribas Capital Markets** 

Chase Manhattan Capital Markets Group
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**IBJ International Limited** 

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Orion Royal Bank Limited

Sumitomo Finance International

Société Générale

March, 1985

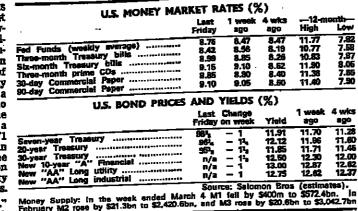
## Ohio close-down prompts flight to quality

THE U.S. CREDIT markets have had enough to think about over the last week without having to worry over the difficul-ties of an obscure little Government securities trader down in Florida. But the collapse of ESM, after starting quietly enough a week ago, sent out a shock wave which seemed to grow as it spread across the country. It finally ended in a burst of panic on Friday, as 71 state-insured savings banks in Ohio were closed down for three days, and jittery investors on Wall Street fled to the safety of short-term Treasury issues.

This "flight to quality." reminiscent of a similar reaction in the credit markets to the near-collapse of the Continental Illinois Bank of Chicago last year sent Treasury hill nental minois stank of chicago last year, sent Treasury bill rates tumbling. Three-month bills, for example, fell from 8.77 per cent on Thursday to 8.46 per cent, while six-month rates slipped from 9.22 per cent to 9.01 per cent. to 9.01 per cent.

Bank certificates of deposit, on the other hand, had to be marked up substantially, as investors reacted edgily to renewed fears about the stability of the banking system.

All this followed an upsettling period of mixed



week started with the feeling in January. The credit markets that economic growth was perthat economic growth was perhaps not running away at the rapid rate the market had feared, and that the Federal Reserve Board might be able to hold its grip on credit roughly where it is at present. The rally in the bond market on the previous Friday had seemed to indicate that the hack-up in rates over the previous month was probably enough.

But then on Wednesday along All this followed an came some unexpectedly that there is no great inconsistency in the economic figures on retail sales, signals from the economy. The showing a 1.4 per cent increase

reacted predictably, seeing this as a sign that growth was still

economic news.

Some analysts take the view that there is no great inconsistency in the economic figures sistency in the economic figures.

The new to react to the runns rate this week, and an unexpectedly large increase in bank borrowings at the Fed's discount window, have given rise to increasing uncertainty.

strong, but there is continuing sluggishness in the manufacturing sector, partly reflecting the strength of the dollar, which has allowed imports to take market share away from domestic manufacturers.

Meanwhile, there is equal concern about the rapid pace of monetary growth and the current tactics of the Fed. The money supply figure this week showed a \$400m drop in M1, but this was very much in the range of expectations, and it still leaves the basic money supply about \$7bn above the upper limit of the Fed's target range. At the same time, the M2 and M3 measures are also growing much faster than the ntral bank planned. Despite this rapid expansion

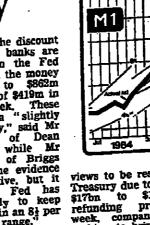
in the monetary aggregates, many analysts have recently as a sign that growth was still a little too lively, and pushed rates back up again. On Friday, washington produced another set of contrary figures—industrial output statistics showing a 0.5 per cent decline in February. But by that time the markets were focusing as much on the savings banks in Ohio as on how to react to the economic news.

In the week ending Wednes-

window, where the banks are forced to go when the Fed

restricts liquidity in the money restricts liquidity in the money markets, jumped to \$862m against an average of \$419m in the previous week. These figures suggested a "slightly tighter credit policy," said Mr William Sullivan, of Dean Witter Reynolds, while Mr Philip Braverman, of Briggs Schaedle, said: "The evidence is far from definitive, but it suggests that the Fed has tightened sufficiently to keep the Funds rate within an 81 per the Funds rate within an 81 per cent to 81 per cent range."

Some market economists some market economists argue caution in reading too much into one week's figures, but corporate treasurers are not waiting for these conflicting





FEDERAL RESERVE MONETARY TARGETS

t views to be resolved. With the Treasury due to announce a big 1970 to \$18bn quarterly 1970 to \$18bn quarterly 1970 to \$18bn quarterly 1970 most sizeable was a \$500m most si the market.

The largest of these new and 10 years. Other issues offerings came from Texaco include a \$200m offering from Household Finance Corporation

Wells Fargo and Co., of 15-year subordinated, floating rate notes which are callable after two years, and pay ‡ point over

Terry Dodsworth

#### Investors wait for Budget fine print

in a summer of industrial disputes.

The market last week—with yields on long-dated stocks sticking resolutely at 10.8 per cent and on shorts at 12 per cent—showed just how cautious investors have become since the acclaim which greeted Mr Law—

But the announcement of a higher-than-expected (though perfectly respectable) } per tonal long-dated gilts, although the index sector could benefit.

The general view on the public borrowing and monetaray fronts is that the market is discounting a 1985-86 public sector borrowing requirement of £7hm.

acclaim which greeted Mr Law-son's first performance. And the Chancellor could hardly have expected to be going into his second Budget with short-term interest rates 5 points higher than a year earlier.

son's statement.

The "wait-and-see" atmosphere was underlined by the Bank's decision to hold back from any new funding on Friday afternoon, when most in the market had expected at least some additional tranches of existing stock.

counting a 1985-86 public sector be a small base rates. Or sightly less and a target week also be a small base rates.

The Bank's for the catchphrase in the figure for it market last week was "robust of March we arithmetic," with investors at needay.

of existing stock. There were, however, brief flurries of excitement which must have raised Mr Lawson's hopes that a gilt-edged rather than has been delayed rather than ruled out.

On Monday the City convinced itself that the traditional

FT IS hardly an action-replay of 1984. The run-up to the Budget last year was characterised by a burst of euphoria in the giltedged market, later extinguished in a summer of industrial dismits.

pre-budget cut in base rates was deged market.

Brokers Grieveson Grant, for example, estimates that the introduction of a 10 per cent tax on pension fund income could imply a fall of about 5 higher-than-expected (though the property of the price of conventions).

least as concerned with the viability of the assumptions

target range, rather than be satisfied with it bumping along

the top.

If the Chancellor does jump the budget hurdles, however, there are many in the market who believe that the outlook for gilt-edged stocks is promising,

particularly if the problems in Ohio keep the dollar subdued.

The balance of expectation in the City is that there should be a small post-budget cut in The Bank's heavy funding last

week also holds out the possi-bility of a good money supply figure for the banking month of March which ends on Wed-For that brighter outlook to

feed through to gilt-edged prices, however, Mr Lawson will

#### FT/AIBD INTERNATIONAL BOND SERVICE

	FI/AIBU			Australia 8'2 81 15 1	At to: 7.58
DOLLAR	Chg. on	Texaco 10 <sup>2</sup> s 90 290 Texaco 10 <sup>2</sup> s 93 200 Texaco Capital 13 <sup>2</sup> s 89 200	923, +05, 12.32 923, -94, 11.86 1034, 0 12.36	Australia 81 92 15 1	00- +0- 7.80 134 +0- 7.57
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ditanstalt 134 91 100 thi Kangyo 124 90 190 t end Kraft 74 98 85	9914 +012 12.27 9614 -078 8.21	BFCE 1, 88	100% -0% 10%		1005 0 8.00 1015 -04 7.81 1005 +05 7.88
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mark 14 91 100 Pont Canada 13 <sup>2</sup> , 91 65	105°2 +0°2 12.64 104 +0°4 12.49	Credit Lyon 4 96 300 Cred National 4 95 £ 100 Dai-Ichi Kangyo 4 96 150	100 0 972 100°2 0 10°24	CANADIAN DOLLAR	Chg. on Price week Yield
ite) Equip 11%, 89 150 cb St Mines 11% 91 150	964 -04 12.00 964 +04 12.52 964 +04 12.46	Denmark 3, 90 250 Denmark 0 99 200 Denmark 3, 90 500	1002 0 113	STRAIGHTS. Issued I By Col Prov 12 93 100 Bge L'Indosuez 14 91 75	97 +0° 12.56 103° +0° 13.14
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neral Elec 94, 97 100	897 <sub>8</sub> 07 <sub>8</sub> 12.09 967 <sub>8</sub> 07 <sub>8</sub> 11.88 977 <sub>8</sub> 07 <sub>8</sub> 11.94	Midland Intl 4 89 12 Midland Intl 0 91 15 Midland Intl 4 99 20	100% —04 1 <u>1</u>	Post Och Kred 10% 92 50 Royal Bk Can 10% 89 85 SNCi 10% 94	1017 +1 10.48 1074 +24 8.27 1032 +04 10.26
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B 14 91 100	104% +0% 12.93 201% +0% 12.88	Mtg Bk Drimark 2 94 £ 5 Nat Bk Canada 2 91 5 Nat West 4 90 15		AUSTRALIAN DOLLAR STRAIGHTS Issued	Chg. on Price week Yield
E Finance 12 96 76	994 +04 12.14 89 -14 12.22 1004 +04 11.75	Nat West & 90 15 Nat West Fin & 91 12 Nat West Bank & 92 10	5 100°s - 0°s 9°s	AIDC 124 90 42 G J Coles 131 89 25	98 -0- 12.68 1000- 13.40
iff Oil 124 87	98% -0% 12.58 102% +0% 13.22	Not Wast Bank L 94 10	5 100% +0% 10%	Net Aust 5k 12 <sup>1</sup> 2 89 40 PIBA 12 <sup>1</sup> 2 89 50	96°40°4 13.79 961 13.73
M 124 92 200 Industries 114 98 75	1017, -0½ 11.83 97% -0% 12.24 98% +0% 12.07	Net West Fin 1 36 Neste Oy 1 94 10 New Zeeland 1 87 35 NZ Steel Coro 1 92 30	n 100% O 11%	State Bk NSW 124 89 40 State Aust 134 87 24	95-2 -11, 13.77 99-3 -07, 13.72
d Bk Japan 11 <sup>1</sup> 2 89 125 d Bk Japan 11 <sup>7</sup> 4 91 100 d Bk Japan 13 <sup>7</sup> 6 91 125	98% +1% 12.12	NZ Steel Corp ½ 92 30 Nippon Cred Bk ½ 90 5 Oster Ln Bk ½ 99 10	0 1004 6 94 ·	STERLING STRAIGHTS Issued	Chg. on Price week Yield
DB 124 93 129	994 -04 12.57 964 +04 12.17	Offshore Min 4 86 10	A 4861 JAL 61.	Denmark 10% 89 75	57 +0% 11.71 99% +0% 11.53 -
t Bk RC DV 12 83 200	981, -01, 12.37	Oko Bank 1 92 5 Pirelli Fin 1 94 5	D 98% O 10%	EEC 11% 94	107% +0% 17.11 101% +0% 11.49 57% +0% 11.24
Stand Elec 97 112 t Stand Elec 12 96 75	967 +01 12.54	Portugal 14 92 10 Quebec Hydro 14 94 20 Quebec Hydro 14 94 35		FFI 10% 93 50 Finland 11% 88 50	97% +0% 11.22
T 1112 89	105% +0% 11.46 100%2% 12.19	Quebec Hydro & 94 20 Queensid Cost & 96 35 Queensid Cost & 85 4 Renfe & 91	6 100° 0 10° 0 0 100° 0 12° 0	IADB 113 91	98% +0% 11.54 % 98% +0% 11.17
owa Fin HK 12% 90 100	937 +012 12.39	Royal BK Scot % 94 7	5 700°z 0 9°z. 0 100 0 9°z.	Int Stand Elec 112 89 So Inv in Indust 112 91 50 Ireland 112 84 50	101 +0% 10.77 102½ +0½ 10.83 97% +0% 11.87
ing Term Cred 11 90 100 ing Term Cred 11 89 100 ing Term Cred 12 93 100 ing Term Cred 12 93 100	99 +0% 12.19	Scandivis Fin 1, 93 7 Scot intl Fin 1, 92 10 SEAT 1, 93 10	0 100% +1% 9% 0 100% 0 11% 0 100 0 9%	New Zeeland 10 <sup>1</sup> , 89 100 SNCF 11 <sup>1</sup> , 94	963 +03 17.64 983 -04 11.52
ong Term Cred 12-7 50 60 acv R. H. 11-1, 91 100	974 +04 12.38	Skopbenk 1 94	5 99 0 94	SNCF 11½ 89 30	100% +0% 11.35 Chg. on
cDonalds Fin 11% 94 75	1124 +04 2.79	Soc Generals 1/2 90 20 Soc Gen (1/3/4) 1/4 95 20 Soc Generals 1/2 94 20	0 100½ 0 10½ 0 101½ —0½ 10½ 0 100¼ 0 12½	WARRANTS data Commerchank 31/5/88	Price week, Prem. 48 0 30.72
Izaubishi Cp 1212 91 100	102 +04 12.00 944 +04 8.50	Spain 1 93	0 100% 0 10	Ciba-Geigy Int £ 1/11/38 C Itoh	300 +25 164 63 10 -324 14.14 51 -2 14.61
itsui Tst Fin 12 91 100	984 +04 12.42	Standard Chart 1, 90 10		Credit Suisse 31/5/85	157: 0 8.13
ontreal City 12 <sup>3</sup> , 91 70 Iontreal Urban 12 90 75 Ign Guaranty 124 83 150	964 0 12.93	Standard Chart 1 91 10 Standard Chart 1 94 20 Sumitomo Tat 1 94 10	10 100% 10% 5% 10 100% 10% 5%	Deutsche Bank DM 18/8/81 ICI Finance 1/6/90 IC Industries 15/6/88	137 +72 11.08 3725 0 21422
kount lea Fin 13½ 87 100 ed Gasunia 11½ 90 75	) 102½ +0½ 12.23 ; 97 0 11.98	Sweden & ST	0 1004 0 8 <sup>13</sup> 4 In 1004 0 1074 IO 884 -04 11 <sup>13</sup> 4	Jusco	86% +3% 54.03 10 +0% 18.01
ed Gassunie 114 91 75 ewfoundland 13 91 75	964 +04 12.04 1014 +04 12.65 1034 +04 72.68	Sweden 1: 24		Minebea Co	331 - 11 64,62 531 - 02 19.37
ippen Crd 8k 13% 89 100 ippen Tel Tel 11% 90 100 ippen Tel Tel 1311 2 94 150	) 99 0 11.84 ) 709% 0 11.47	Toyo Tst Asia % 99 10	10 100% +0% 90% 10 96% 0 10	Mitsui 10/12/87	12 -0° 21.42 20 -3 -3 23 824 -0° 62.71
issho-lwai 6 <sup>1</sup> , 89 70 omura 6 <sup>1</sup> , 88 100	1334 +04 -12.68	Union Bank-Norw 1 99 Walls Fargo 14 96	50 984 +04 974 50 984 +04 974	Nomice Sec. 35/789	67, -01, 37.19 67 +103, 3.35
ordic lav Bk 11% 90 75 lova Scotta 11% 91 100 lova Scotta 11% 98 100	984 +04 12.13		75 100% 0 12% 75 99% 0 10%	Onode Cement 10/4/89	143, -1 44.97 443, +43, -5.44 15 0 6.38
kester Post 12% 89 75 hbayashi-Gumi 7% 89 50	5 994 +04 12.52 ) 1184 –24 2.84	CONVERTIBLE BONDS 1200	Chg. ca sed Price week Prem.	Seegram Comp. 15/12/88	705 0-621.70 127 -1 -27.13
Interio Hydro 11% 94 200 Interio Hydro 11% 90 200	987 +01 72.00 1 1017 -1 12.52	Ajinomoto 3 99 1 Ajinomoto 54 86 Best Danki 57 87	20 87% +1 40 118% +1% 7.51 15 148% -0% 7.91	Seino Trans	64,0-, 28.79 262 h 65.48
Ontario 12 <sup>1</sup> 3 94 256 Pacific Gas & El 12 91 75 Pennay J. C. 11 <sup>7</sup> 3 90 100	5 98½ 0 12.34 3 98½ +0½ 12.15	Alinomoto 54 86 Best Denki 57 97 Brigstne Tire 51 98 Canon 64 94	70 95½ -0½ -0.92 80 283½ -0½ -7.36	Swiss Bk: Corp 24/2/89	5 0 4.18
Реппеу J. C. 12%, 91 707 Pallips Petrol 14 89 200	0 1027 -04 13.02	Canon 64 95	50 2054 +24 -1.37 50 2324 +94 -2.25 57 82 +94 1.88	Tokyo Electric 14/3/89 Tokyo Sanyo 2/3/87 Torey Ind	72 <sup>1</sup> 2 - 0 <sup>1</sup> 2 16.78
Post-Och Kred 12 90 70 Post-Och Kred 13 2 87 90 Prudential Ins 12 4 87 190	8 102% -0% 12.20	Comest Inti 74 98 1	40 ]184 +U•2 83,79	Vebs Int	40, 0 24.39
Quebec Prov 124 93 10 Quebec Prov 124 94 19	0 987 +04 12.72 0 987 +04 12.45	Daiws Secs 51 28	50 765 +55 ~0.66 70 74 +1 5,55 80 1065 -07 704.80	WARRANTS date Ascon ins 11% 51 14/2/88	Chg. on Er. Price week yield
Quebec Prov 13 13 19	0 1004 +04 13.38 0 94 +04 12.78	Fanuc 34 98	52 80½ -0¼ 12.23 80 172½ +6 0.18	ANR Fin 154 89 15/9/87 Coce-Cola 114 91 28/11/88	124 - 14 8.71 75 + 45 - 2.10 284 + 14 5.32
Royal Bk Scot 11% 93 7 Rural Bk Aust 12 91 5	5 947 + 07 12.86 0 994 + 04 12.09	Fujitsu 3 99	90 53½ +1½ 7.16 50 76 -1¼ -2.42	Commerzhk 11½ 89 17/7/88 Denmark 11½ 93 15/12/88	45% +1% 1.67 12% +1% 9.88
Sanwa Int-Fin 12½ 90     8 Saskutchewon     10½    90     12 Soskatchewan     117,     89     10	5 944 +04 12.21	Mitaubishi H 44 99 1	00 93½ +2 -4.69 60 102½ +0% 12.56	D Norsk Cr 11% 91 1/2/88 Dev Bk Sing 14% 89 17/9/86 Du Pont 13% 89 25/8/86	63 0 -0.63
Saskotchowan 15 92 15 Sasketchowan 16 89 12	0 1114 +04 12.51 5 1114 +14 12.12	Murata Mig 31, 98 1	00 120% +1% 0.87 00 117% +1% 1.57	Eksportines 184 89 15/9/87 Gen Elec 124 91 7/8/87	42% -1% 2.14 33% +1% 5.61
Sasketchewan 164 88 10 Scot Int Fin 144 96 5	0 1084 +04 12.72 0 1055 +05 13.25	Nippon Oli 34 99	50 783, +13, 9.46 80 1077, +37, -4.53 51 86 0 146.15	IBM Credit 13 87 19/8/85	357 +37 -2.46
Soors O/S Fin 98 50 Sears Roebuck 10½ 91 15 Sears Roebuck 11½ 91 15	0 924 +04 12.25	Texaco Capital 17% 94 1	70 904 +2 -1.75 bn 1004 +04 43.75	M Hanovar 137, 87, 1/9/85 McDonida F 117, 94 5/1/89 Mordan J P 107, 90 16/8/87	174 0 4.66 114 +1 9.15
Sears Moodyck 114 91 12 Sec Pacilic 12 92 10 Shearson/Amex 124 94 10	0 871, +01, 12.55	Texaco Capital 114 94 !	50 100 +1 43.39 50 106 +0 6.37	Nordic lav Bk 11 90 15/11/27 Opeter Inbk 13% 89 8/8/87	7 <sup>2</sup> 2 0 9.74 7 <sup>2</sup> 4 +0 <sup>2</sup> 5 11,50 33 <sup>2</sup> 6 +2 <sup>2</sup> 6 4 09
Shell (Cenada) 14½ 92 12 Shell (Canada) 15½ 91 10	25 106% +0% 13.14 00 109% 0 13.36	Yamanouchi 4 90	50 239 <sup>1</sup> 2 -1 <sup>1</sup> 2 -1.47 Chg. on	Post-0 Kred 11% 90 15/11/87	7% +0% 8.23 7% +0% 10.11
Standard Chart 11 <sup>1</sup> 2 94 20 Statoil 12 88 10	00 100 0 11.48 00 101 +01 11.58		sued Price week Yield	RVI B Scrt 112, 83 15/11/R8. Texaco 102 93 15/11/R7 Texaco Cap 177, R2 1/9/R7	131. 40. 9.78
Sumitomo Fin 124 91 75 Sweden 124 89 20 Swedish Export 114 89 10	00 100% +0% 12.11	Asian Dev Bk 7½ 94 Asian Dev Bk 8½ 91	15 1001, +0% 7.29 15 103% +0% 7.46	Thman-Brdt 17% 91 29/8/88   Weyerhanger 11 90 15/11/87	30 +1 7.22 84 +64 8.78
Talyo Kobe 12 90 16	20 983 +1 12.31	Asian Day Bk 84 92	15 · 1064 · +04 7.66	Xerox 13% 87 15/8/85	264 +24 1.02
		mid-price. Amount issued is	recent share price.		

#### Results for year ended 31st December 1984

**Banco Hispano Americano Limited** 

(formerly Banco Urquijo Hispano Americano Limited)

PROFIT AND LOSS ACCOUNT	1984	1983
Profit for the year after providing for taxation, and after making transfers to inner reserves from which provision for deferred taxation has been made	£1,434,243	£1,208,569
BALANCE SHEET	1984	1983
Shareholders' Funds and Liabilities:		
	£ 14,000,000	£ 14,000,000
Share Capital: Authorised  Issued and fully-paid	£ 8,000,000	£ 8,000,000
Retained Profits	8,369,540	6,935,297
	6,000,000	6,000,000
Subordinated Loan Capital	22,369,540	20,935,297
	2,132,000	-
Deferred Taxation	•	222 106 276
Current Liabilities	326,619,650	222,196,376
Accordances	9,502,363	10,039,982
Acceptances .	£360,623,553	£253,171,655
Assets:  Cash on hand and at bankers, money at call and short notice	£ 75,993,402	£ 55,497,635
Cash on nand and at Danker s, money at ear and a second control of Deposit purchased	4,703,466	20,322,607
Deposits with banks and discount houses	98,221,942	33,037,077
Loans and advances	49,126,940	38,165,925
Interest receivable and other assets	22,352,904	7,818,064 4.535,648
Listed securities	5,941,385	
•	256,340,039	159,376,956
Medium Term Loans	81,205,343	73,555,246
Property and Equipment	819,121	606,789
Net Investments in Finance Leases and Hire Purchase Agreements	12,756,687	9,592,682
Customers' Liabilities for Acceptances	9,502,363	10,039,982
Chamiles seminas and and a	£360,623,553	£253,171,655

#### **CHANGE OF NAME**

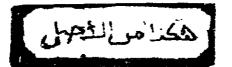
services by throwing the door

The Bank is effectively a wholly-owned subsidiary of Banco Hispano Americano, S.A., and consequently the name of the Bank was changed on 15th March 1985 from Banco Urquiio Hispano Americano Limited to Banco Hispano Americano Limited.

The above figures are an extract from the full accounts which will be filed with the Registrar of Companies and upon which the Auditors have issued an unqualified report.

Copies of the 1984 Report & Accounts may be obtained from The Company Secretary, Banco Hispano Americano Limited, 15 Austin Friars, London EC2N 2DJ, Tel: 01-628 4499 Telex: 8813971

UGB pl



#### INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

#### Fire-fighting over for Hongkong Land

TWO YEARS ago, in the wake of the Hong Kong property crash, not a few local analysts would have quoted poor odds on Hongkong Land's chances of surviving. Last week, Mr David Davies, the managing director, reported a return to profits, the Davies, the managing director, reported a return to profits, the restoration of debts to a "perfectly comfontable" level, and the revival of expansion plans.

"The period of fire-fighting is over," he said while unveiling attributable profits in 1984 of HK\$50m (U.S.\$6.4m)—modest on a turnover of HK\$10.24bn, but impressive after losses in 1983 of HK\$1.28bn.

painstaking haul back towards corporate health — an interest tion arranged with 13 banks rate swap agreement with the just as the collapse began was Hank of Tokyo to raise therefore a life-saver, lifting HK\$100m, and a plan to raise facilities to HK\$20.7bn.

HK\$750m from shareholders through a preferred share offer. Both tap a two-year effort to bring debt back under control.

When property values the collapse began was callified to HK\$20.7bn.

The first priority of making sure money was available had been met. Any remaining fears on this count were eliminated in January this year, when the

a free fall, few companies had more to lose. When prices steadied at about half their peak levels, the group faced the prospect of selling or renting space at a significant loss. As debts surged towards a

Two other events last week a lot of time before the doors gave glimpses into the group's began to close in our face," he painstaking haul back towards recalls. The HK\$4bn syndica-

company." It reduced group debt by 20 per cent to less than HK\$12bn "at a stroke."

The second priority - to make sure the cost of the money was not too variable — was not so easily solved. Of the HK\$16bn borrowed in 1983, only HK\$3bn was medium-term peak forecast at HK\$16bn, Mr
Bill Wavish, the group's beleaguered finance director,
trawled over 40 banks for support: "We knew we didn't have
a lot of time before the doors
to close in our feed to be tember 1002 and the cast to be tember 1002 and the cast temper 100 rates up to 30 per cent in September 1983, and 28 per cent in July last year.

"With our kind of debt bur-den, we couldn't afford to roll over variable money at those kinds of rate," Mr Wavish said. "We urgently needed to get more medium-term money, and to get it at fixed rates." Since then, Hongkong Land has privately arranged 15 in-

through the Bank of Tokyo. which lifts the aggregate arranged to HK\$1.4bn, was the first time 2 Hong Kong borrower had entered the local fixed-rate market in order to swap simultaneously for variable

terest rate swons worth HK1.3bn

rate funds. This "first" gives the Bank of Tokyo funds at } per cent below the Hong Kong interbank borrowed rate (Hibor), and gives Hongkong Land fixed-rate funds at 11.62 per cent. Such manoeuvres — which will be repeated whenever the opportunity arises, according to Mr Wavish — have enabled the group to keep average borrow-ing costs at 11.7 per cent over the last year in spite of the volatility of the capital mar-

The call on shareholders to take up a preferred share offer intended to raise HK\$750m would have been impossible a year ago, in the wake of annual losses of almost HK\$1.3bn, and with the local

cal uncertainty.
Even now, the offer has had to be heavily sweetened. Divi-dends are guaranteed, even though ordinary shares currently receive a nominal 1 cent a year. Pasment is staggered over six months, and

a detachable warrant has been tagged onto each preferred share, allowing those who take up the offer to buy one further share at any time up to 1991 at a fixed price. Even with all the sweeteners, the HK\$750m raised will be at an effective interest while the group still has for-midable problems to solve, &r Davies can now claim that income is covering both recurrent and capital spending costs. He says debt will have fallen by the end of 1985 to a "perfectly comfortable" 72 per cent of group equity. For the first time in three years, there is no gues-

in three years, there is no ques-

tion that the company will sur-

David Dodwell

Confidence at

SAN FRANCISCO—Northern Telecom, the Canadian tele-communications group, ex-pects consolidated revenues and net earnings per com-mon share to rise 20-25 per cent in 1985, Mr Edmund Fitzgerald, president and chief executive fold analysts

#### Texas bank warns of profit fall

By William Hall in New York

TEXAS COMMERCE Bane chares, one of only two U.S. banks to enjoy a triple A debt rating, has announced that it expects its first quarter net income to fall by more than a third to around \$30m primarily because of higher loan losses on its energy lending business.

Until now Texas Commerce has been largely unaffected by the problems of the U.S. energy sector, which have forced many of its rivals in Dallas and Houston to report sharply lower profits and sharply lower profits and sharply higher non-performing loans. News that the group was forecasting sharply lower profits for the first time in recent years depressed its share price by \$3\frac{1}{2}\$ to \$36\frac{1}{4}\$.

The group increased average loans in 1984 more than a fifth, but by the end of the year there were already signs that its above-average profit growth rate was slowing. Net income for 1984 rose by 3 per cent to \$183.3m, or \$5.64 per share. The group is now forecasting first-quarter earnings per share of 92 cents compared with \$1.41 per share in the same quarter last year and \$1.27 in the fourth quarter

Texas's second biggest bank moderating loan growth, continuing pressures on net interest margins, and higher loan loss provisions for its profit setback. Loan loss provisions in the current quarter are expected to be about \$45m, up from \$12m in the same quarater last year and \$30m in the final quarter of 1984.

#### N. Telecom

here. "These remain our targets and I am confident of them," he said. In 1984 the company earned C\$333.9m (US\$241m) or C\$2.76 a share on revenues of C\$4.38bn. AP-DJ

#### INTERNATIONAL APPOINTMENTS Bekaert chair for another grandson

BY PAUL CHEESERIGHT IN BRUSSELS

MR JEAN CHARLES VELCE. 55, grandson of Leon-Leandre Bekaert, who founded Bekaert the Belgian wire and steel cord company, is to take over as chairman—from another grand-

Mr Velge takes up his new appointment in May and Baron Antoine Bekaert, also 55, steps The Bekaert company is now

the biggest independent group of its kind in Europe, and is one of the flagships of Flemish capitalism in Belgium. As such, it is under intense pressure to take a larger role in Flemish social, economic, and political affairs. Baron Bekaert is already

active in this area, and the family sees his move out, with the position of honorary chairas a natural division of respon-

The two men have worked together in 2 sustained expan-sion of the group since the 1970s. Bekaert now has plants in 14 countries and a turnover year. Hitherto Mr Velge has been the chief executive officer. been the chief executive officer.

A civil engineer by background, Mr Velge has spent all his working life in the Bekaert group. His mother was the daughter of the group founder.

The Bekaert-Velge interests remain the majority shareholders in the group, but in recent years there has been an influx of management from outside. This is reflected in the appointment of Mr Karel Vinck. appointment of Mr Karel Vinck, who joined Bekaert from Eternit, the asbestos sheeting group, two years ago, and now becomes

#### S & P takeover prompts **Smith to leave Pabst**

Pabst Brewing announced over the weekend that Mr William F. Smith, its president and chief executive officer, and Mr John "some philos Brzezinski, its executive vicepresident, had resigned effec- S. & P's chairman. He would tive on Friday. It gave no not be more specific about his reason for the resignations, relationship to Mr Kalmanovitz, Reuter reports from Chicago, but said "At this point, I view that his resignation was the company."

announced takeover of Palst by S. & P. He said he has "some philosophic differences" with Mr Paul Kalmanovitz, thought it was better to leave

#### **Bear Stearns resignation**

Mr Peter Gauschinietz has re- had left to pursue other opporsigned as managing director of tunities. Until a successor is Bear Stearns International, the named, London fixed-income London Eurobond sales, trading, operations will be managed by and syndication operation of Mr Frank Martucci and Mr and syndication operation of Mr Frank Martucci and Mr the Wall Street investment Edward Rappa, general partners

The firm said Mr Ganschinietz and sales respectively.

Reuter reports from of the parent company respon-ork. sible for fixed-income trading

#### Anthony Solomon to advise BCI

BY STEWART FLEMING IN WASHINGTON MR ANTHONY SOLOMON, largest commercial bank

Reserve Bank of New York, has taken up an appointment as an adviser to the management board of Banca Commerciale Italiana (BCI), Italy's second

Mr Solomon retired from the New York Fed at the end of last year saying that he would be looking for a part-time post which would give him a public

#### UGB plans to separate activities after \$5.4m loss

UNITED GULF BANK (UGB), securities, and \$2m on U.S. a Kuwaki controlled Bahrain venture capital investments. a Kuwaiti controlled Bahrain offshore banking unit, was adversely affected in 1984 both by a poor performance by the Treasury department and by write-downs at United Gulf Investment Company (UGIC), its wholly-owned subsidiary.

The directors are seeking permission from the Bahrain Monetary Agency to separate HGR's hanking and investment

UGB's banking and investment activities by forming a holding company with two independent operating subsidiaries.

UGB reported a consolidated does of US\$5.4m for the year, compared with a profit of \$24.2m for 1983. Total share bolders' acutte ware and the constant of the holders' equity was reduced from \$251.8m to \$246.4m and assets declined from \$1.29bn to

The parent bank made a Nouri said the company had profit of \$8.1m after bad debt now cleaned up its balance provisions of \$6.6m compared sheet and would be concentrationally. provisions of \$6.6m compared with \$27.9m after provisions of \$1.5m in 1988. But the invest-real estate and venture capital ment company's previous deficit markets, and on the arrange-of \$3.7m worsened to \$13.4m, ment of debt security issues. following a five-fold increase in Write-downs insecurities, which absorbed the whole 1983 provision of \$2.8m, on. unlisted Kuwaiti

Mr Mahmoud Al Nouri, the managing director, blamed a 50 per cent drop in operating profits at the bank mainly on the Treasury department, although some \$33m-worth of Knwaiti loans had been placed on a non-accrual basis during

the course of the year. Of this sum, \$7.2m had been written off, another \$18m was currently before the Kuwait Settlements Court, and the bank was left with \$9m of wellsecured debt. He said 57 per cent (\$253m) of the \$433m loan portfolio was in Gulf Co-operation Council countries, mainly Kuwait (\$126m) and Saudi Arabia (\$112m).

Turning to UGIC, Mr Al ing on investments in the U.S. It had just won a sole mandate for a \$50m floating-rate note issue for an Arab bank.

#### Rand Daily Mail deficit hits SAAN

By Jim Jones in Johannesburg

FAILURE to stem the rising osses of the Rand Daily Mail (RDM) and lower profits from other publications combined to leave South African Associated Newspapers (SAAN) with an operating loss of R8.8m (\$4.3m) in 1984. Operating profits before interest and tax were R9.6m in 1983. Turnover rose to R138.1m from R128.5m.

Mr Clive Kinsley, the manag ing director, has for some years forecast that the RDM's pre-viously undisclosed but rising losses could be contained. How ever, Mr Kinsley now says that last year the RDM incurred a ioss of R15m and that over the past 10 years its accumulated losses have been R45.5m. Management says that the RDM cannot achieve profitability in an over-traded market. Last Friday SAAN announced

that the newspaper is to cease publication on April 30. A loss of 315 cents a share was made in 1984 against earnings of 380 cents in 1983. A final dividend has not been He declared though an interim of said more details of the pro-posed issue would be available dividend total of 190 cents was within a week or so.

#### BRANIFF, the U.S. airline that excluding unusual ex-which was rescued from bank penses, the fourth-quarter results reflected a gratifying ruptcy last March, lost \$86.5m improvement in the airline's performance and indicate that in its first year since reconstrucour new long haul, un

Braniff still in the red

but 'improving rapidly'

BY OUR NEW YORK STAFF

tion. However, the company says that its results in recent months have improved rapidly. restricted low fares operating The alrline, which has underone several upheavals in its battle to keep flying in the face of fierce competition from its established rivals, made a load factor in the latest quarter \$4.6m loss in the final quarter which compares with a 45.5 per ended January 31. Mr Ron cent average load factor in the Ridgeway, the president, says 11 months to end January.

Arbed returns to the black ARBED, the Luxembourg steel benefits of financial and indus company in which the Grand Duchy's government has a minority stake, has announced a LuxFr645m (\$9.5m) net profit for 1984, against a LuxFr2.4bn 5.2m tonnes.

first for 10 years, our Financial Staff writes. The company attributed the turnround to a recovery in exports, which helped increase sales by 18 per cent to LuxFr56.7bn. Beyond this, the company has begun to feel the LuxFr2.3bn.

trial restructuring. Capacity has been cut by nearly 1m tonnes a year from the 1980 level of

plan is working." The company which has shrunk in size con-

siderably since it returned to the skies, had a 63.7 per cent load factor in the latest quarter

Operating profits were up Imost 25 per cent to loss in 1983. The profit is the LuxFr10.55n, an outcome which the company describes as the best ever achieved, even after the deduction of unspecified state subsidies, Cash flow increased to LuxFr5.9bn from

#### Trizec Corporation Ltd.

Can. \$60,000,000

11%% Senior Debentures to mature March 15, 1995

**CIBC Limited** 

Algemene Bank Nederland N.V. Berliner Handels- und Frankfurter Bank Citicorp Capital Markets Group

> Commerzbank Crédit Lyonnais Dresdner Bank

First Interstate Limited

Genossenschaftliche Zentralbank AG - Vienna Girozentrale und Bank der Oesterreichischen Sparkassen

Hambros Bank Limited

IBI International Limited Manufacturers Hanover Limited

Merrill Lynch Capital Markets Samuel Montagu & Co. Limited

Orion Royal Bank Limited The Royal Trust Company of Canada Société Générale

Swiss Bank Corporation International Limited S.G. Warburg & Co. Ltd. Wood Gundy Inc.

Ine Kilcheri Group is une of Europe's leading producers of Europe's leading producers of their limited and control of their limited

Tarkett is the second largest Manufacturer of flooring material in the World. The

Group's product range and includes resilient, wooden and textile flooring.

Match
The Match Group is the World's in the sylvation of the idigest produces and lighters that is, matches and

U POR 100 11 PORTER 1000 CON POLICES
THE GOOD AS SECULIAR ALLES WHEN The Group also conducts forestry and trading activities.

Financial highlights Pesuit after financial items

Swedish Match is an industrial corporation with business act more than the companies in more than the companies in all parts of the world. The corporation employs ties conducted through a parts of the world. The corporation all parts of the world. ties conducted through about 150 companies in more than all parts of the world. The Corporation employs 40 countries in all parts of the world. The companies, its head approximately 26,000 persons in these companies, its head approximately 26,000 persons.

Doors Group markets a com-INE VOOR GROUP MEINERS & OUT Piete range of doors, including piete range and exterior doors as internal and exterior doors as Interned and extension ducts as Well as doors for public buildings. The Commission member leader well as accors for public Dullains The Group is the market leader to the Nordin on making Michens Group is one of The Kitchen in the Nordic countries. AIDY Produces sodium chlorate for AIDY Produces sodium chlorate for AIDY Produces sodium AIDY Produces social and potassium the pulp industry and inchange in the pulp industry and inchange in the pulp for the match inchange in the pulp for the

Kitchen Calpboards. Other products include stored cupboards wardrobes and bathroom cabinets

The purp industry and pulassiul chlorate for the match industry. CHIURIE FOR THE METER HOUSE.

The Alby Division has production for the production in Europe North the production for the produc Akerlund & Rausing of the Akerlund & Rausing is one of the Akerlund & Rausing companies in The Alby Division has production facilities in Europe, North America.

America and South America. AMERIUNO & MEUSING IS UNE UI VIE largest packaging companies in EUOPO I LONDO IN ENTINO CAINA ON

EUTOPE THE CHOUP IS BISU & SECTION OF THE CHOUP IS BISU & SECTION OF THE CHOICE OF THE Trestres leader in helds such decor.

disposable table products, have a continue and continue an disposable table products, decor-ative paper, bags and carrier bags.

886 61 39 21

151 237 237 Earnings per share (full tax) £

Earnings per share after extraordinary items £

Earnings per share after extraordinary items £ Swedish Match is an industrial corporation with business activities conducted through about 150 companies in more than ties conducted through about 150 companies.

Swedish Match's product areas have strong market positions.

Swedish Match's product areas have structure vields good profitability and rapid growth. Swedish Match's product areas have strong market points structure yields good profitability and rapid growth. Business activities are concentrated on home improvement.

Business activities are concentrated on home improvement.

and consumer products as well as packaging. -- Business activities are concentrated on nome and consumer products as well as packaging.

#### **Clerical Medical**

15 St. James's Square, SW1Y 4	(Q. 0	1-930 5	474
Executive Investment Pension Plan			
*	Bid	Offer	Change
Cash Fund	116.7	122.9	+ 0.4
Mixed Fund	149.2	157.1	+ 1.2
Fixed Interest Fund	119.7	126.1	+ 1.1
UK Equity Fund	163.6	172.3	+ 3.8
Property Fund	113.1	119.1	+ 0.1
Overseas Fund	170.0	179.0	- 6.8
Index Linked Fund	106.4	112.0	+ 0.2
Stock Exchange Fund	<u> 121.4</u>	127.8	+ 0.8
North American Fund	111.3		- 7.4
Far East Fund	104.1		- 5,3
Special Situations Fund		112.4	- 1.6
Prices March 13 Unit dealing	on W	ednesda	<b>y</b>
Clerical Medical Managed Funds Limit	ted		
	Bid	Offer	Change

Cierical Medical Managed Funds Limit	ted		
***************************************	Bid		Change
Cash Fund	143.8		+ 0.4
Mixed Fund	216.5	221.9	+ 1.6
Fixed Interest Fund	187.9	190.7	+ 1.7
UK Equity Fund	239.4	2 <del>46</del> .6	+ 5.5
Property Fund	129.3	135.1	+ 0.2
Overseas Fund	252.0	264.6	-10.1
Index Linked Fund		122.3	+ 0.2
Stock Exchange Fund		128.2	+ 0.8
Defens March 12 Timit dealings	ישו מחי	ednesda	<b>y</b>
Initial unit prices available on request,	telepho	ne 0277	2 290566

#### BAWAG

#### **BANK FÜR ARBEIT UND** WIRTSCHAFT A.G.

(Incorporated with limited liability in Austria) U.S.\$40,000,000 ed Floating Rate Notes due 1990

n accordance with the terms and conditions of the a Notes notice is hereby given that the Rate of Interest has been fixed at 10%:% per annum and that the interest payable on the relevant Interest Payment Date, September 18, 1985, against Coupon No. 6 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$533.47.

March 18, 1985, London By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANC

#### **NORDISKA** INVESTERINGSBANKEN (Nordic Investment Bank)

US \$20,000,000

14% per cent. Bonds due 1990

NOTICE IS HEREBY GIVEN that, pursuant to Condition 5 (a) of the ROTICE IS HEREBY SIVEN THAT, PURSUART to CONDITION 5 (a) of the Bonds, Citibank, N.A. as Fiscal Agent, has selected by lot for redemption on April 15 1985 US\$800,000 principal amount of said Bonds at the redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption. The serial numbers of the Bonds selected by lot for

redemption as follows:

112 403 437 489 531 647 679 760

112 403 437 489 531 647 679 760

222 407 451 497 619 665 710 761

337 410 462 500 626 668 742 771

381 423 473 530 636 670 750 778

Payment will be made upon surrender of Bonds together with all coupons meturing after the date fixed for redemption, at the offices of the Paying Agents as shown on the Bonds. Coupons maturing on April 15 1985 should be detached and presented for payment in the usual manner. On and after April 15 1985 interest on the Bonds will become void. cases to accrue and unmatured coupons will become void. Outstanding after April 15 1985 US\$11,200,000.

Merch 18, 1985 By Citibank, N.A. (CSSI Dept.) London, Paying Agent

**CITIBAN(** 

#### **UK COMPANY NEWS**

#### **Plantation** investment trust in £10m launch

THIS WEEK Noble Grossart, the Scottish merchant bank, is to launch the Plantation Trust Com-pany. It is the only investment trust specialising in the worldwide plantation sector and will aim for capital growth.

The bank has underwritten an offer for sale, to be made through stockbrokers Kitcat & Aitken, and has already received subscriptions for all the 1.4m units on offer at £7.25 each, to raise £9.7m net

Three-quarters of the applica tions from institutions have been firmly accepted, but 25 per cent of the trust will be available to the public. The 350,000 units on offer each comprise five ordinary hares, one warrant to buy an ordinary share, and £2.50 of con-The units will be dealt together until April 25, after which there will be markets in

ach of the three components. A new management group, David Hume Investment Man-igement, has been assembled, comprising: Mr David Pinsent, hairman of Anglo American Agriculture; Mr John Campbell, Noble Grossert director; and Hr Stephen Kershaw, former in-estment manager of Czarnikow

Group.

They plan to invest in permanent rather than annual crops, it is maller plantation companies issed in London and elsewhere, and through unlisted investments, especially in the U.S.

Plantation companies listed in the U.S.

Plantation companies listed in the U.S.

he UK have outperformed quity indices, the managers sty, and will continue to do so

#### comment

A visit to the greengrocers or he dinner table is probably the losest that most fund managers ome to researching avocados, iwi fruit and nectarines. all isted among the crops in which the trust's activities will be "principally concentrated." So Mr Pinsent and his team are offering the out-of-the-ordinary experies needed by institutions to justify entrusting money to other managers. New investment trusts are rare enough, new management groups even rarer, these managers have good credentials in the plantation sector, and are clearly excited by projects such as new strains of grapes in the U.S. Investments such as these U.S. Investments such as these will require the team to travel widely and maintain detailed knowledge of diverse markets. Most of the portfolio, however, wil be spread among small plantation stocks, and the potential for substantial capital growth must rely somewhat on corporate shakeups and takeovers. The must rely somewhat on corporate shakeups and takeovers. The trust's shares will almost certainly slip from the 95p implied issue price to a typical discount to net asset value, but buyers of the units are compensated by a free warrant.

#### Stefan Wagstyl looks at Coloroll's flotation plans U.S. holds strong prospects

manufacturers in the UK is to be floated on the Stock Exchange, with an estimated market capitalisation of £50m. Japhet and broker Rowe and Pitman are seeking a full listing for Colorell by means of an offer for sale, probably next month. Coloroll is based in Nelson. Lancashire, and employs over 800 people in the UK, the U.S. and in Australia. Its biggest business is producing wallpaper for large customers like D-I-Y chains; it also supplies ranges of co-ordinated wall papers and furnishing fabrics under brand names such as Pretty Chic and

packaging factory, 500,000 plastic bags a day for Established in 1923 to import rolls of coloured wrapping paper. Coloroll first began making wall-

Dolly Mixtures; and it has a

paper in the 1960s.
The founding Gatward family sold out in 1980-82 to a group of City institutions, which backed the appointment as managing director and subsequent chief executive of Mr John Ashcroft. He was formerly an executive with Crown Wall coverings.

Mr Ashcroft set about restruc-

turing and expanding the business. The group, which had previously had no exports, began to expand abroad so that over-seas sales now account for about 40 per cent of total turnover. It set up a marketing and dis-tribution company in Australia in 1983, and over the past 18 months has acquired a stake in a privately-owned U.S. wallpaper manufacturer, Wallmates, which is to rise to 80 per cent later this

year. Con
Sales have grown steadily from pany's
£21.7m in 1980-1 to an estimated £1.7m
£39m for the year to the end of total
this month, or £58m including year.

Sturla to go

By Alexander Nicoli

into liquidation

Sturla Holdings, a leasing and

hire purchase company which had its shares suspended two

years ago, yesterday gave up a battle to overcome long-standing troubles and announced plans to

go into voluntary liquidation. Mr William Starkey, a director

said it was most unlikely that shareholders would receive any-

thing in the liquidation and that the company had been discourag-

ing over-the-counter dealing in

Sturla's shares were suspended

at 6p in March 1983 shortly after the arrest of Mr Robert Knight,

the year to April 1983, in which it had a net attributable loss of £1.19m compared with a £2.18m loss in the previous period. Mr David Britton, as chairman

since June 1983, and Mr Starkey have since made several attempts to recapitalise the com-

Banco de Bilbao

plans UK listing

plans UK listing

Banco de Bilbao, the fourth largest bank in Spain, is planning to get a listing on the UK Stock Exchange in the first half of 1985, the first Spanish company to apply.

Hill Samuel, meanwhile, has erranged a placing of 713,250 shares, equal to 1.6 per cent of Bilbao's equity raising the equivalent of £5.6m. The shares are represented by investor depositary receipts in which Quilter Goodison, the stockbrokers, have agreed to make a market on the basis of matched deals.

**BOARD MEETINGS** 

Prestwich Holdings.
Prestwich Holdings.
Finals:—Cambridge Electronic Industries. Isle of Man Enterprises. KCA
Drilling, Metalies, William Morris Fine
Arts, Petrenol, Petrocon, Pittard, Sale
Filney, Systems Designers International,

inderson Murray and Elder ... Mar 21 Finals:—

on Group Cleaners .......

ANDARD BANK IMPORT & EXPORT

NOTICE IS HEREBY GIVEN that the Rais of Ridered Pall from forcy at 10°4% and of Coupen Arthur guardin September 18, 1981 general Coupens No. 10°48 to USAI 349 65 1h

LADBROKE INDEX

Based on FT Index 995-999 (+6)

Tel: 01-427 4411

March 18 1485 London Br Coppers, N.A. (CSSI Depth Agent Bank



Mr Jhn Ashcroft, chief executive . for about 40 per cent of total turnover.

the sales of Wallmates.

Profits growth has been less than smooth: from £2.5m pre-tax in 1980-81 they jumped to £3.7m the following year in the first flush of post-recession recovery, but fell back sharply to £3m in 1982-83 when Coloroll was hit by a downturn in the UK wallpaper market, which forced several competitors to cut back their capacity heavily.

capacity heavily.

Sales and profits in the UK recovered strongly the next year, but the group was held back to £2.1m pre-tax, due the £800,000 cost of starting up in Australia. In the current year, profits are likely to be £3.3m or more, again they would have been higher but for a £100,000 loss in Australia, the costs of moving into the U.S. and an abortive venture into the distribution of D.I-Y security alarms in this country which has cost £200,000.

Thirty-six-year-old Mr Ashcroft who has been insured by his backers in a f5m key man policy, says the first stage in the company's development has been to build up wallpaper sales to D-I-Y

chains.

Then Coloroll expanded its ranges of co-ordinated wallcoverings and fabrics (which are made to its designs by outside manufacturers). Mr Ashcroft believes this business has much further the control of the example by setting up to go, for example, by setting up concession shops within large High Street stores.

The third stage of growth has been the push overseas. Mr Ash-croft sees very strong prospects in the U.S. in particular where he says the Americans are turn-ing away from their traditional fabric-backed wallcoverings to English style wallpapers.
The U.S. move is one rea

cost £200,000.

Consolidation of the U.S. company's profits will add about £1.7m to profits making a group total of more than £5m for the company's nated flotation—the funds raised will help clear the \$10m or so debts incurred in buying a controlling stake in Wallington and to allow further control in Noval American

# Property stake for £9m

The purchaser of Espley's 37 per cent stake in American Property Group is a consortium organised by Stanecastle Assets, the Edinburgh-based managers

shire Investment Trust). Stanecastle said that Espley's recent problems had enabled the consortium to acquire the share-

into forged Eurobonds. He was later charged with conspiring to defraud financial institutions and, separately, Sturla and its shareholders.

Under the chairmanship of Mr Ronald Aitken, who replaced Mr Ronald Shuck last September, the group has embarked on a major UK and overseas asset disin Scotland.

In the latest sale, the consor-

ance, Loomannen, United King-dom Temperance and General Provident Institutions, Debenture Corporation and Edinburgh Financial Trust.

The consortium has, through the Bank of Scotland, made a \$1.8m line of credit immediately available to APG, which was formed eight years ago and has since completed a range of com-mercial, residential and leisure developments in the U.S., prin-

cipally in New Jersey.

The founder and principal shareholder in APG, Mr Matthew Hudson, said yesterday that the UK consortium has indicated "strong support" for the deve-lopment team, enabling it to would be underpinned by a strong cash flow. An over-the-

#### Hepworth Ceramic in £14m sale

have since made several attempts to recapitalise the company and restore trading of the shares. An underwritten £2.2m rights issue was prevented last year because the Stock Exchange refused to lift the share suspension, and the two men then planned to inject capital via Osprey Financial Trust, a corporate finance company of which they are directors.

These plans too fell through as Sturla's potential liabilities mounted. The leasing business was hurt by the reduction in capital allowances in last year's Budget, and a substantial clair, against the company emerged. The claim relates to the company's former problems. Hepworth Ceramic Holdings, the clay pipes and refractories group, has sold four plastic pipe extrusion plants on the West coast of the U.S. for \$14.87m (£13.7m) cash to a private U.S.

subsidiary acquired in 1977. Western, based in Tacoma, Washington State, has a total of 11 manufacturing plants, with turnover of \$70m.

#### TAUERNAUTOBAHN AKTIENGESELLSCHAFT US\$30,000,000 81/4% Guaranteed Bonds 1987

Citibank, N.A. as Principal Paying Agent, announces that Bonds for a nominal value of US\$3,000,000 were purchased for the March 15 1985 Redemption. The principal amount outstanding after March 15 1985 is US\$18,000,000.

#### The Charities Official Investment Fund

**Annual Report 1984** 

- Income Share value rose by 22.3%.
- Accumulation Share value rose by 24.1%.
- Trustees extended their services to charities by introducing The Charities Deposit Fund on 1st March 1985, offering an initial daily



To: The Charities Official Investment Fund, 77 London Wall, London EC2N 1DB (01-588 1815)

COIF

# Trattan HOME SHOPPING Recovery firmly established

Results for year ended 31st January 1985							
	1985 £m	1984 Em					
Sales	219.1	195.3					
Profit before tax	9.6	3.5					
Profit after tax	9.0	3.2					
Dividend per share	3.0p	1.0p					
Earnings per share	20.0p	7.1p					

#### HIGHLIGHTS

\* Sales increased 14.5% in second half, making 12.2% for the year

\* Significant growth in direct catalogues - now over 20% of total sales

\* Improved service to customers \* Substantial increase in earnings per share

\* 1985 Spring/Summer season continuing the encouraging Autumn/Winter trend

Copies of the Report and Accounts will be available when published from The Secretary, Grattan PLC, Anchor House, Ingleby Road, Bradford, BD99 2XG

#### FINANCIAL TIMES STOCK INDICES

•										
	Mar. 15	Mar. 14	Mar. 13	Маг. 12	Mar. 11	Mar. 8	198 High	4:85 Low	Since Co High	mpilation Low
Government Secs.	80.26	79.91	80.15	80,41	80,65	80,30	83.77	75,72	127,4	49,18
Fixed Interest	83.87	83.86	83.97	93,80	83.65	85.60	87.48	80.43	150,4	50.63
Ordinary	1002.5	990.1	987.4	990.4	989.2	988,1	1024,5	756,3	1024,5	49.4
Gold Mines	479.9	485.9	484,2	481.7	475.5	474.9	711.7	439.5	784,7	43.5
PT-Act.All.Share	680.16	625.62	624.79	625,86	622.09	619,40	630.16	464.84	630.16	61,92
FT-8E100	1309.9	1299.7	1295.2	1300.0	1290,8	1288,6	1509,9	986,9	1309,9	986.9

LISEE DIVING POTTICAL

services by throwing the door

# **Espley sells American**

NORTH AMERICAN property cent stake in APG. Participants interests of Espley Trust, which in the consortium are Scottish is fighting for survival, have Northern Investment Trust, been sold to a UK investment London and Manchester Assurconsortium for \$10m (£9.2m).

of Edinburgh Financial Trust (formerly Yorkshire and Lancaholding on favourable terms.

then the chairman, in connection with a City fraud squad inquiry into forged Eurobonds. He was later charged with conspiring to defraud financial institutions Sturia later produced heavily qualified accounts for the 15 months to April 1982, and for the year to April 1983, in which director and the group has realise the full potential of cur-started legal proceedings against rent projects. He added that sub-him involving earlier land deals stantial profitability in 1985

tium has also taken an option counter listing of APG shares is on Espley's outstanding 4 per expected later this year.

were the least profitable rest :

(£13.7m) cash to a private U.S.
company.

Hepworth said these factories
were the least profitable rate of some sale will be used by Hepworth to 

# Citibank, N.A. London

- Dividend increased by 12.1%.
- interest rate of 13.8% p.a. (APR 14.5%).



Please send: COIF 1984 Report ☐ Charities Deposit Fund Leaflet

RECENT ISSUES

prios	Amount paid up	Letest Remune. dete	198 High	4/85 Low		등 	├	20			<del></del> -
988 150- 190 100 5145 4145 4146 4100 1100 		19/4 3/5 1/8 22/3 14/8 	79 168 145 187 180 161 180 525 218 78 42 107 60	78 131 112 118 105 155 117 255 190 70 39 80 100	Addison Page 5p	145 140 122 111 156 187 205 207 79x2 45 102	+5 +6 -6 -7 -7	13.15 903.5 593.6 593.6 53.5 592.0	2.6 2.5 	5.88 	18.3 15.9 15.8 15.8 15.6 16.3

FIXED INTEREST STOCKS

				<u> بروس می باشد و در بازد می بروس می برو</u>	
Issue price £	Amount pald up	Latest Renunc. date	1984/85 High Low	[종립]	- or
100 9100 9971 <sub>2</sub>	F.P. £10 £51 £10 £10 £10 £10 £10 F.P.	1 -1	344 87 113 108 154 113 64 50 307 24 134 115 114 101 125 12 124 105 996 985 1004 991	Mid Southern Wtr. 82 Red. Prf. 1990 124. Mid-SorsekWtr. 12% Deb 2010 111 Mailonwide Bidg. Soc. 12% 3/2/86 99 4 Do. 1282 24/2/86 99 988	+1e +1e +1e
49 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		12/4 15/2 12/7 27/3 26/4	24% 171	(Pleasurame./% CRV, Red, Ptt	+14

AMEC ......Apr 10
Anglo Amer
1nv Tst...Apr 12 Final 440c

British Asrospace...Mer 27 British Car

Auction...Mer 27 \*Britoit ......Mer 21

\*Coates Patens...Mar 27 Final 3.2 Combined Eng Stores...Mar 25 Final 2.61 Cookson .......Apr 12 Final 6.5 \*\*PRG ........Mar 26 Final 4.0 \*\*PRG ........Mar 27 Final 1.93 Final 5.0 \*\*Exco Intl .....Mar 25 Final 5.0 \*\*Final 5

Johnson...Mar 29 Jeguar .....Mar 21 Kwik Sava .....Apr 13

K		13 VI	FER	<b>&gt;</b>		
lagie price		Lefter Renunc.	. ∽α984		Stock	Pride 4-0
,	- E		High	Low		.0-
8 39 75 225 225 270 452 30 100 480.2 66 650 210 339 210 40 190 435 515	F.P. NIII	12M 	30-pm 46-pm 50-pm 460 14-2 95 232 3-2 3-2 3-2 3-3 3-4 40-pm 57-pm 14-pm 56-7 38-pm	41pm 20pm 416 40pm 416 12 85 812 812 812 812 812 812 8145 4512 4512 47pm 514pm 525	#Acorn Computer 1p  Barrow Hepburn Beatrix Mines.  Bibty (J) 50p  Butzl  POSE AFI  DPCE 5p  Livie Shipping Prefd. 5p  Newman-Tonics  Hew Tokyo Inv. Tst, 50p  Pres. Entertainments50p  R.E.A. Hidgs, Units: I.  Press Entertainments50p  R.E.A. Hidgs, Units: I.  Press Entertainments50p  R.E.A. Hidgs, Units: I.  Pross Entertainments50p  R.E.A. Hidgs, Units: I.  Pross Entertainments50p  R.E.A. Hidgs, Units: I.  Pross Entertainments50p  R.E.A. Hidgs, Units: I.  Penold  Royal Sank of Scotland  #Saugers  #Southwest Res. 40p  STC  Systems Designers 5p  Trafaigar House 80p	20   20   20   20   20   20   20   20
. 122		27/5	251g	2149	Mestwood Daws .R. 12-6b	22

Renunciation data usually last day for dealing free of stamp duty. It is based on prospectus estimates. It Dividend rate paid or payable on pay capital, cover based on dividend on full capital. If Assumed dividend, yield. It forecast dividend cover based on previous year's samings. Fluid and yield based on prospectus or other official estimates for 1885. It Dividend yield based on prospectus or other official estimates for 1885. It Dividend yield based on prospectus or other official estimates for 1884. On prance unless otherwise indicated. I issued by tender, I official choiden or discovery shares as a "rights." I issued by tender, I official choiden or discovery shares as a "rights." I issued by tender, I official choiden the state of fully-peid. If introduction. Wurlisted Securi Market. I pracing price. T Figures assumed. It Official London List to Dealt in under Rule 535(3). I Comprising 100 Pri, and one Pry, sh t Comprising one II per cent Cav. Line. Ln stk: and one Warrant. Sy Warrants attached. I Units comprising one New Ord., four New Praf. one Warrant. Official Choice I was the comprising one New Ord., four New Praf.

#### PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last, rear's samouncements except where the forthcoming board meetings (indicated thus\*) have been officially notified. Dividends to be declared cessarily be at the amounts in the column headed nent last year."

> Pladbroke .....Mar 28 Legal and .....Apr 18 Final 7.9 Coment...Apr 15 Final 3.1
> Scottish
> Heritable Tet...Mar 29 Final 1.1
> Slough Eats ...Apr 1 Final 2.475 Smith and Nephew...Mar 26 Final 3.1 Smiths Inds ...Apr 11 Interim 4.75 Standard and
> Chartered Bk...Mar 27 Final 18.5
> Steetley ........Mer 25 Final 7.0
> Sun Alllance ...Apr 3 Final 34,0 Steatley ...... Mer 25 Sun Alliance ... Apr 3 Taylor Woodrow...Apr 10 Final 19.0 Tricentrol .....Mar 22 Final 7.2 Turner and Newsil...Mar 22 Finel 0.75 \* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

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ateria. Oznak

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F.T. Share Information The following securities have been added to the Share Information Service.
Consolidated Tern Investments (Section: Property).
Moss Bros. (Drapery and Stores).

**US \$40,000,000** 

INDUSTRIAS RESISTOL, S.A. (Incorporated in the United Mexican States)

Floating Rate Notes Due 1988

In accordance with the provisions of the Fiscal Agency Agreement between Industrias Resistol, S.A. and Continental Illinois National Bank and Trust Company of Chicago, dated as of 8th September 1981, notice is hereby given that the Rate of Interest for the next six month interest Period has been fixed at 11% p.a. and that the interest payable on the relevant Interest Payment Date, 19th September 1985, against Coupon No: 8 in respect of US \$50,000 nominal amount of the Notes will be US \$2,811.11 and in respect of US \$5,000 nominal amount of the Notes will be US \$281.11.

Agent Bank

First Interstate Limited

19th March, 1985

A copy of this offer for sale, which comprises listing particulars with regard to The Plantation Trust Company pic given in compliance with The Stock Exchange (Listing) Regulations 1984, has been delivered to the Registrar of Companies as required by those regulations. Application has been made to the Council of The Stock Exchange for admission to the Official List of the ordinary shares, warrants and convertible stock now being issued.

ice with the facts and does not omit anything likely to affect the import of such information. All the directors accept responsibility accordingly.



# TRUST COMPANY plc



#### Offer for Sale

#### **Noble Grossart Limited**

in conjunction with

#### Kitcat & Aitken

#### 1,400,000 units

(each unit comprising five ordinary shares, one warrant and £2.50 nominal of convertible stock) at £7.25 per unit payable in full on application.

The application list for the units now offered for sale will open at 10.00 a.m. on Thursday, 21st March, 1985 and may be closed at any time thereafter. The procedure for application and the application form are set out at the end of this document.

**Authorised** 

SHARE CAPITAL

now being issued

£4,000,000

in ordinary shares of 25p each

**LOAN CAPITAL** £3,500,000 nominal of 7½ per cent. convertible unsecured loan stock 2000

has created warrants carrying rights, exercisable at 100p per share during the period of 28 days prior to 31st August in any of the years 1986 to ribe for a total of 1,400,000 further ordinary shares.

Holders of convertible stock will be entitled to convert such stock into ordinary shares at the rate of one ordinary share for every 105p nominal stock. The conversion rights may be exercised during the month of August in any of the years 1988 to 2000. The redemption date will be 30th Sep The offer for sale has been fully underwritten by Noble Grossart Limited. The directors are aware of intended application of the units now being offered for sale. Noble Grossart Limited has undertaken to accept such application representing 75 per cent, of the units offered for sale.

DS

1 .7.55

- 1254 - 1254 - 1264

. . . .

The Company is an investment trust created to exploit investment opportunities in the plantation sector worldwide. It is unique in that no other United Kingdom listed investment trust now specialises solely in that sector. The Company will employ the considerable experience and expertise of members of the board in the plantation industry in pursuit of capital appreciation for its shareholders. The directors intend to concentrate on permanent crop investments.

The proceeds of this offer for sale, which has been fully underwritten by Noble Grossart Limited, will amount to approximately £9.7 million, after expenses.

The directors are aware of intended applications from sub-underwriters for all of the units now being offered for sale. Noble Grossart Limited has and traken to accept each applications in respect of 1,050,000 units representing 75 per team of the units offered for sale.

THE PLANTATION SECTOR

Since the early 1970s the average stock market performance of the shares of plantation companies listed in the United Kingdom has substantially outpaced the principal United Kingdom equity indices. Specific listed plantation investments both in the United Kingdom and overseas markets have produced returns well in excess of that average. The directors believe that above average performance will be maintained owing to three principal factors: increasing operating returns; re-rating as a result of improved investor appreciation of companies in the sector; and corporate activity, including mergers, take-overs and acquisitions of strategic shareholdings.

Operating Returns
Factors contributing to increases in operating returns include the following:-

Improved productivity – Crop yields have shown substantial improvements as a result of the use of better planting material, fertilisers, pesticides and herbicides and through general improvements in managerial and agricultural practices. Net income growth has been further enhanced through cost savings arising from economies of scale and mechanisation. Biogenetic research has already begun to have an impact on annual crops. The directors believe that major advances in this field within the permanent crop sector are poised, in the case of some crops, to produce dramatic improvements in yield potential and disease resistance, as compared with improvements which have in the past been architectal wine restricted. ed using traditional methods.

Demand Factors - World population growth and rising standards of living increase demand for plantation products including crops used for food, feed and fibre. Despite yield improvements, even if current living standards are merely to be maintained, substantial increases in total land areas would be required to be brought into production. On the basis of current production costs and commodity prices the profitability on much of this new land would be marginal. In order to provide the economic incentive for such development, commodity prices would have to rise, thus increasing the return on existing land.

Re-raing

The ability of investors to assess the opportunities available in the plantation sector is hampered by the wide range of different companies and crops, and the difficulty in obtaining and assimilating the relevant information given the limited amount of investment research on the sector. As a result many of the listed shares in the sector have in the past proved to be undervalued. However, improvements in investor appreciation and knowledge of individual companies and crops have frequently resulted in similarity re-assessments of value. significant re-assessments of value.

Corporate ocurary

The process of re-rating has been assisted in certain cases by plantation companies and groups of other investors building up strategic stakes to serve as springboards for effecting changes in ownership and management. Such moves have tended to alter perspectives of value not only of the target company but also of other companies with related activities. Corporate octivity

Permanent crop sector

The term permanent crop describes any species which reaches maturity over a period of years and yields for a number of years thereafter. Annual crops are planted and harvested in the same crop year. Permanent crops traditionally provide a higher return than annual crops. While annual crops typically yield less than 5 per cent. on capital employed, permanent crops are able, depending on crop, commodity prices, cyclical patterns and growing conditions, to achieve yields in excess of 10 per cent. The period of years required to bring new permanent crop plantings to maturity results in less elasticity of supply than for annual crops. While this can lead to greater volatility in prices than for annual crops, where planting levels can be adjusted to reflect short-term supply and demand, the successful selection of permanent crops fulfilling the optimum supply and demand criteria can offer the opportunity for returns which are substantially better than average.

Scale of sector

The aggregate market capitalisation of United Kingdom and overseas registered plantation companies in the permanent crop sector listed on worldwide stock exchanges is in excess of £5,000 million. This does not include the major plantation interests of many overseas traders. There are substantial plantation industries in the United States, Australia and other countries in the Pacific Area, as well as in certain countries in Africa, Europe and South America. For example, there are over 200 permanent crops grown in California alone, of which the principal crops – grapes, citrus and nuts – cover some 1.4 million acres, currently valued at approximately US\$10,000 million.

The principal objective of the Company is to achieve capital growth.

The directors intend that the Company will principally invest in equity securities listed on the United Kingdom and overseas stock markets. In addition a proportion of available funds will be invested in unlisted securities and indirectly in stakes in plantation ventures. The board intends to invest a significant part of these funds in the United States, where the opportunities for listed plantation investments are limited. It also intends to use its expertise, where suitable opportunities arise, to build the states of the states. up strategic stakes.

Examples of crops and geographical areas in which the board's investment activities will be principally concentrated are set out below:—

Crop Citrus Cocoa Coconuts Coffee . Dates (table, wine, raisin) Kiwi fruit

apricots)

Producing countries
United States
United States, Australia Malaysia, Indonesia Malaysia, Indonesia, Papua New Guinea, Central America Kenya, Indonesia United States United States, Australia

United States, Australia, New Zealand United States, Australia, Central Africa

(almonds, macadamias, pecans, pistachios, walnuts) Majaysia, Indonesia. Papua New Guinea Palm oil Malaysia, Indonesia, Papua New Guinca Pineapples Rubbei United States Stone fruit (plums, peaches, nectarines,

Bangladesh, Malawi, Kenya, India, Indonesia

Within this substantial overall spectrum of investment there are, in the board's view, a range of above average individual opportunities, both in large companies and to a greater extent in smaller compan or in joint venture opportunities, which have significant investment potential.

Issued and

£1,750,000

The board intends, subject to suitable opportunities being available and to market conditions and interest rates, to employ a degree of gearing in addition to the convertible stock. The trust deed to constitute the convertible stock will limit the ability of the Company and any subsidiaries to borrow by reference to a multiple of one and a half times adjusted capital and reserves as shown by its latest audited accounts. The trust deed will, pending the preparation of the audited accounts of the Company for its financial period ending on 31st March, 1986, limit the Company's power to borrow £7 million in addition to the convertible stock. It is not, however, the Company's Intention to utilise initially the full borrowing powers.

Although it is proposed to invest the Company's funds fully in shares or other securities, the directors may in appropriate circumstances invest inter alia in bonds, deposits or short term money marker instruments in any country.

In accordance with the requirements of the Council of The Stock Exchange, it will be part of the ment policy of the Company:-

(1) that not more than 10 per cent. of its assets (before deducting borrowed money) may be lent to, or invested in the securities of, any one company (other than holdings in another investment trust which has been approved by the Inland Revenue or which would qualify for such approval but for the fact that it is not yet listed) including loans to or shares in its own subsidiaries;

(2) that not more than 25 per cent. of its assets (before deducting borrowed money) may be invested in the aggregate of:-

(i) holdings in which the interest of the Company and any subsidiaries amounts to 20 per cent. or more of the aggregate of the equity capital (including any capital having an element of equity) of any one listed company (other than another investment trust which has been approved by the Inland Revenue or which would qualify for such approval but for the fact approved by the tiliand Neve that it is not yet listed); and

(ii) securities not listed on any recognised stock exchange; and

(3) that its income will be derived wholly or mainly from shares or other securities.

The investment policy described in this section will, in accordance with Stock Exchange requirements, be adhered to for at least three years following listing, and the policy of investment in the plantation sector will not be altered at any time without the consent of shareholders. In addition, in order to qualify as an approved investment trust within the meaning of Section 359 of the Income and Corporation Taxes Act 1970 (as amended) no holding in any one company (other than a company which is for the time being an investment trust) may represent more than 15 per cent. by value of the Company's investments at the time the investment is acquired.

Members of the board have extensive direct experience of investment in plantation shares and, of equal importance, in the direct management of substantial plantation companies owning and operating plantation estates in many parts of the world. The personal connections of the directors extend to a large number of international plantation and agricultural groups of potential investment interest. They also extend into the financial sector, in particular in North America, which is frequently the source of both finance for, and introductions to, transactions.

A substantial amount of time is spent by board members travelling overseas maintaining contact with the participants in the international agricultural sector whether they be operators, investors, or financiers.

Edwin Hadsley-Chaplin (Chairman), aged 62, is chairman of Rowe Evans Investments PLC and a director of a number of other plantation companies listed on the London Stock Exchange, including Beradin Holdings PLC and Bertam Holdings PLC, and of Colly Farms Conton Limited, an Australian listed cotton producer. He has been actively involved in the international plantation industry since 1947 and is a former chairman of the Rubber Growers Association.

Derek Baer, aged 63, is the chairman of The Foreign and Colonial Investment Trust PLC and a director of a number of listed companies including The Stockholders Investment Trust PLC and Temple Bar Investment Trust PLC. He is also on the London board of The Colonial Mutual Life Assurance Society Limited and, since 1956, he has been a director of John Govett & Company Limited.

John Campbell, aged 38, is a director of Noble Grossart Limited, deputy chairman of Anglo American Agriculture PLC, a United Kingdom public company specialising in the United States permanent crop sector, and a director of Beradin Holdings PLC and Colly Farms Cotton Limited. Over the last twelve years he has been extensively involved with the plantation sector, both in an advisory capacity as a merchant banker and from 1979 to 1982 as managing director of McLeod Russel PLC.

Stephen Kershaw, aged 53, joined the investment department of Czarnikow Group Limited in 1968 and held the position of investment manager from 1982 to 1984. He specialised in the management of plantation and commodity shares and also participated in the management of the Ebor Commodity Share Unit Trust. He was a director of Bandanga Holdings Limited, a listed Malawi tea producer. He has contributed articles on commodity based shares to the Investors Chronicle and other publications.

David Pinsent, aged 41, is chairman and managing director of Anglo American Agriculture PLC. He was chairman and managing director of Bandanga Holdings Limited from 1973 to 1977 and has been a director of a number of listed companies in the plantation and investment trust sectors, including Catel Trust Limited, Central Province Ceylon Tea Holdings Limited and Eastern Produce (Holdings)

INVESTMENT MANAGEMENT

INVESTMENT MANAGEMENT

The directors will be responsible for the determination of the Company's investment policy and will have overall control over the Company's activities. The Company has entered into an investment management agreement with a newly incorporated investment management company, David Hume Investment Management Limited, under which the day to day management of the Company's investments will be carried out. A summary of the terms of that agreement, which is conditional upon the management company obtaining appropriate licences, is set out in paragraph 5 under "General information" below.

David Hume Investment Management Limited is to be owned as to 50 per cent. by the Company, as to 20 per cent. by David Hume Securities Limited (a company controlled by David Pinsent), as to 10 per cent. by Stephen Kershaw, as to 10 per cent. by John Campbell and as to 10 per cent. by Noble Grossart Limited. The directors of David Hume Investment Management Limited are David Pinsent, John Campbell and Stephen Kershaw.

Whilst the agreement remains conditional, the day to day management of the investments of the Company will be carried out by Stephen Kershaw. An agreement has been entered into by Stephen Kershaw, the Company and David Hume Investment Management Limited, pursuant to which Stephen Kershaw will initially provide services to the Company and, on the investment management agreement becoming unconditional, to David Hume Investment Management Limited. Details of this agreement appear in paragraph 4 under "General information" below.

The Company has granted options to Edwin Hadsley-Chaplin, Derek Baer, John Campbell, Stephen Kershaw and David Pinsent to subscribe for a total of 525,000 ordinary shares at 100p per share exercisable between 1987 and 1992. The ordinary shares the subject of these options will equal 4.28 per cent. of the issued share capital of the Company following this offer for sale, assuming the full conversion of the convertible stock and the exercise of all the warrants.

David Hume Investment Management Limited may in the future enter into further in management contracts with third parties but none are currently envisaged.

#### **DIRECTORS, SECRETARY AND ADVISERS**

Edwin Hadsley-Chaplin (Chairman)
Tubs Hill House, London Road, Sevenoaks, Kent TN13 1DG **Derek Affred Howard Baer** 1 Laurence Pountney Hill, London EC4R 0BA Alastair John Wilson Campbell 17 Lincoln's Inn Fields, London WC2A 3ED

8 Crescent, London EC3N 2LY

David Hume Pinsent Old Chellows, Crowhurst, Nr. Lingfield, Surrey RH7 6LU

Secretary and Registered Office Richard Blair Drummond, F.C.A.

Empire House, 123 Kennington Road, London SE11 6SF Investment Manager

David Hume Investment Management Limited

8 Crescent, London EC3N·2LY Issuing House

Noble Grossart Limited 48 Queen Street, Edinburgh EH2 3NR

17 Lincoln's Inn Fields, London WC2A 3ED

Stockbrokers to the Company and to the Offer Kitcat & Aitken The Stock Exchange, London EC2N 1HB

Auditors and Reporting Accountants Deloitte Haskins & Sells

Chartered Accountants 128 Queen Victoria Street, London EC4P 4JX Solicitors to the Company and to the Offer

Stephenson Harwood

Saddlers' Hall, Gutter Lane, Cheapside, London EC2V 6BS

Barclays Bank PLC P.O. Box 69, 114 Fenchurch Street, London EC3P 3HY

Barclays Bank PLC, New Issues Department

P.O. Box 123, Fleetway House, 25 Farringdon Street, London EC4A 4HD

Registrars and Transfer Office Barclays Bank PLC

Radbroke Hall, Knutsford, Cheshire WA16 9EU

**DEFINITIONS** 

In this document save as the context otherwise requires: means The Plantation Trust Company plc "Company" "directors" or "board" means the board of directors of the Company means ordinary shares of 25p each in the Company "ordinary shares"

means the £3,500,000 nominal of 7 ½ per cent, convertible unsecured loan stock 2000 of the Company, the particulars of means the 1.400.000 warrants, each to subscribe for one

ordinary share, the particulars of which are set out below means a unit comprising five ordinary shares, one warrant and £2.50 nominal of convertible stock means incascope Limited (in the course of changing its name "David Hume Investment

to David Hume Investment Management Limited

DETAILS OF THE OFFER

'warrants'

In order to qualify as an investment trust under the Income and Corporation Taxes Act 1970 (as amended) the Company must not retain in respect of any accounting period more than 15 per cent. of the income it derives from shares and securities. As stated above, however, the principal objective of the Company is the achievement of capital appreciation. Allowing for income required to cover interest on the convertible stock and other borrowings, dividend payments by the Company are likely to be redest.

Each annual dividend will be in the form of a single payment which is expected to be made in July. Accordingly, the first dividend is expected to be paid in July, 1986 in respect of the period ending 31st. March, 1986. The Company's articles of association provide that profits from the sale of investments on other capital assets will not be available for distribution as dividends.

A total of 1,400,000 units are being issued at the offer for sale price of £7.25 per unit. Each unit comprises five ordinary shares (with one warrant) at £4.75 and £2.50 nominal of convertible stock at

Application has been made to the Council of The Stock Exchange for admission to the Official List of the ordinary shares of the Company, the warrants and the convertible stock the subject of this offer for

Ordinary shares

Ordinary shares

The amount of 95p per ordinary share payable on application represents 25p in respect of the nominal value, the whole of the premium of 67.88625p and the difference between the subscription price and the offer for sale price under the offer for sale agreement, particulars of which are set out in paragraph 5 of "General information" below. The ordinary shares now offered will rank for all dividends and other distributions hereafter declared, paid or made on the ordinary share capital of the

Warrants
Each warrant will confer the right to subscribe for one ordinary share. The warrants will be exercisable during the period 28 days prior to 31st August in any of the years 1986 to 1995 inclusive at a subscription price of 100p per share (subject to the usual adjustments). Further details are set out under "Particulars"

Convertible stock
The convertible stock will be constituted by a trust deed in favour of The Law Debenture Trust
Corporation p.l.c., whose head office is situated at Estates House, 66 Gresham Street, London EC2V
7HX, as trustee for the holders of the convertible stock. Interest will be paid on the convertible stock at
the rate of 7½ per cent. per annum (less tax) in two equal half-yearly instalments in arrears on 31st
March and 30th September in each year, except that the first payment (which will be made on 30th
September, 1985) will be of 390.4p (less tax) per £100 nominal of convertible stock.

Subject as provided in the trust deed, the convertible stock will be convertible into ordinary shares at the rate of one ordinary share for every 105p nominal of convertible stock. The conversion rights may be exercised during the month of August in any of the years 1988 to 2000, both inclusive, and any convertible stock outstanding at 30th September, 2000 will be redeemed at par on that date, together with accrued interest. Particulars of the convertible stock are set out below.

IAAL ION

The directors intend to conduct the affairs of the Company in such a way that the Company satisfies the conditions for approval as an investment trust laid down in Section 359 of the Income and Corporation Taxes Act 1970 (as amended) and will apply to the Inland Revenue for such approval. Such approval is granted retrospectively and in respect of each accounting period for which approval is granted, the Company will, as a result of the provisions of the Finance Act 1980, be exempt from corporation tax on chargeable gains.

Investors are advised to consult their professional advisers on the possible tax consequences of their acquiring, holding or disposing of ordinary shares, warrants and convertible stock. However, set out in paragraph 6 under "General information" below are some comments which are intended to assist investors with regard to taxation, based on current law and practice.

ACCOUNTANTS' REPORT

The following is the text of a report received by the directors from Deloitte Haskins & Sells, Chartered Accountants, the auditors of the Company:

128 Queen Victoria Street London EC4P 4JX 13th March, 1985

The Directors, The Plantation Trust Company pk, Empire House, 123 Kennington Road, London SEII 6SF

The Plantation Trust Company ple was incorporated on 8th March, 1985. The Company has not commenced business and, accordingly, no accounts have been made up and no dividends have been declared or paid.

Yours faithfully. Deloitte Haskins & Sells Chartered Accountants

APPLICATION PROCEDURE AND DEALINGS

APPLICATION PROCEDURE AND DEALINGS

The application procedure in respect of the 1.400,000 units now being offered for sale and a detachable application form appear at the end of this document. Application forms, each with the appropriate remittance, should be lodged not later than 10.00 a.m. on Thursday, 21st March, 1985. It is expected that fully paid renounceable letters of acceptance will be posted on Monday, 25th March, 1985, that dealings in the units will commence on Tuesday, 26th March, 1985 and that dealings in the ordinary shares, warrants and convertible stock separately will commence on Thursday, 25th April, 1985.

· PARTICULARS OF THE WARRANTS

The warrants will be issued subject to the following terms and conditions:-

1 (A) A registered holder ("a holder") for the time being of a warrant shall have rights ("subscription rights") to subscribe in eash on each "subscription date", being 31st August in any of the years 1986 to 1995 inclusive (or, if later, the date in any such year 31 days after the date on which copies of the audited accounts of the Company for its then immediately preceding financial year are despatched to holders), for all or any of the number of ordinary shares specified in the warrant at the price of 100p per ordinary share ("the subscription price"), payable in full on subscription. The number and/or nominal value of shares to be subscribed and the subscription price will be subject to adjustment as provided in paragraph 2 below.

(B) In order to exercise the subscription rights in whole or in part, the holder of a warrant must lodge it at the office of the registrars of the Company on or within 28 days prior to the relevant subscription date having completed the notice of subscription thereon (and, if desired, the form of nomination contained on the reverse of the warrant), accompanied by a remittance for the subscription price of the ordinary shares in respect of which the subscription rights are exercised. Once lodged, a notice of subscription shall be irrevocable save with the consent of the directors. Compliance must also be made with any statutory requirements for the time being applicable. The subscription rights will not be exercisable in respect of a fraction of an ordinary share.

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#### THE PLANTATION TRUST CO. plc continued

(C) Not earlier than six weeks not later than four weeks before each subscription date the Company shall give notice in writing to the holders of warrants reminding them of their subscription rights.

(D) Ordinary shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after and with effect on and from the relevant subscription date and certificates in respect of such ordinary shares will be issued not later than 28 days after the relevant subscription date to the persons in whose names the warrants are registered at the date of such exercise or to such persons as the registered holders may nominate in the form of nomination. In the event of a partial exercise of the subscription rights comprised in a warrant, the Company shall at the same time issue a fresh warrant in the name of the holder for any balance of his subscription rights remaining exercisable.

(E) Ordinary shares allosted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, made or paid in respect of any financial year of the Company prior to the financial year current at the relevant subscription date but will rank in full for all dividends and other distributions declared, made or paid to respect of the then current financial year of the Company and pari passe in all other respects with the ordinary shares of the Company in Issue on that date.

(F) Application will be usade to the Council of The Stock Exchange for the ordinary shares allotted pursuant to any exercise of the subscription rights to be admitted to the Official List, and the Company will use all reasonable endeavours to obtain the grant thereof not later than 14 days after the relevant subscription date.

2 (A) Upon any allotment of ordinary shares fully paid by way of capitalisation of profits or reserves to holders of the ordinary shares on the register on a date (or by reference to a record date) on or before the final subscription date or upon any sub-division or consolidation of the ordinary shares on or before such date, the number and/or nominal value of ordinary shares to be subscribed on any subsequent exercise of the subscription rights will be increased or, as the case may be, reduced in due proportion and the subscription price per share will be adjusted accordingly. On any such capitalisation, sub-division or consolidation the auditors for the time being of the Company shall certify the appropriate adjustments and within 28 days of such adjustments notice will be sent to each holder of a warrant together with a warrant is respect of any additional shares for which that holder is entitled to subscribe in consequence thereof, fractional entitlements being ignored.

(B) If, on a date (or by reference to a record date) on or before the final subscription date, the Company makes any offer or invitation (whether by rights issue or otherwise) to the holders of the ordinary shares, or any offer or invitation (not being an offer to which paragraph 3(F) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then holders of the warrants as if their subscription rights had been exercised and had been exercised on the day immediately preceding the record date of such offer or invitation on the basis then applicable.

So long as any subscription rights remain exercisable

(A) the Company shall not (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid ordinary shares: (ii) issue securities by way of capitalisation of profits or neserves except ordinary shares credited as fully paid and issued to the holders of its ordinary shares; or (iii) on or by reference to a record date falling within the period of six weeks ending on any subscription date make any such offer or invitation as is referred to in paragraph 2(B) above (except by extending to the holders of the warrants any such offer as may be made by a third party);

(B) the Company shall not in any way modify the rights attaching to its existing ordinary shares as a separate class, or create any new class of share capital, except for shares which carry, as compared with the existing ordinary shares, no more advantageous rights as regards voting, dividend or return of capital;

(C) the Company shall not issue any ordinary shares credited as fully paid by way of capitalisation of profits or reserves or make any such offer as a referred to in paragraph 2(B) above if as a result the Company would on any subsequent exercise of the subscription rights be obliged to issue ordinary shares at a discount;

(D) the Company shall not (except with the sanction of an extraordinary resolution) reduce its share capital or any ancalled or unpaid liability in respect thereof or (except as authorised by law) any share premium account, capital reserve or capital redemption reserve; (E) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable;

subscription rights remaining exercisable;

(F) if at any time an offer is made to all ordinary shareholders of the Company (or all such shareholders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror and/or persons acting in concert with the offeror and/or persons acting in concert with the offeror and/or such extended to the Company bar of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast at a general meeting of the Company has become vested in the offeror and/or such persons or companies as aforesaid, the Company shall give to the holders of the warrants notice of such vesting within 14 days of becoming so aware, and each such holder shall be entitled, at any time within the period of 30 days immediately following the date of such acide for which purpose the date on which such notice is given shall be deemed to be a subscription date, to exercise his subscription rights on the terms (subject to any adjustment pursoant to paragraph 2(A) above) set out in peragraph I above and so that failing such exercise within such period such rights shall cease and determine upon the expiry of such period. For the purposes of this paragraph the publication of a scheme of arrangement under the Companies Acts providing for the acquisition by any person or persons of the whole or any part of the ordinary shares of the Company shall be deemed to be the making of an offer; and

deemed to be the making of an ofter; and

(G) if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution), each holder of a warrant will (if in such winding up there shall be a surplus available for distribution amongst the holders of the ordinary shares (including for this purpose the ordinary shares which would arise on the exercise of all the subscription rights) which, taking into account the amounts payable on the exercise of the subscription rights, exceeds in respect of each ordinary share a sum equal to the subscription price) be treated as if immediately before the date of such order or resolution his subscription rights had been exercised an had been exercised in full on the basis then applicable, and shall accordingly be entitled to receive out of the assets available in the liquidation part passu with the holders of the ordinary shares such a sum as he would have received had he been the holder of the ordinary shares to which he would have become entitled by virtue of such subscription after deducting a sum per share equal to the then subscription price; subject to the foregoing all subscription rights shall tapse on liquidation of the Company.

All or any of the rights for the time being attached to the warrants may from time to time (whether or not the my is being wound up) be altered or abrogated with the Sanction of an extraordinary resolution.

5 Each warrant will be registered and will be transferable in whole or in part by instrument of transfer in any excual or common form, or in any other form which may be approved by the directors of the Company. No transfer of a right to subscribe for a fraction of an ordinary share of the Company may be effected.

The Company and its subsidiaries shall have the right to purchase warrants in the market or by tender lable to all builders of warrants alike at any price or by private treaty at a price not more than 10 per cent in excess he middle market quotation for the warrants on the previous dealing day. All warrants so purchased shall twith be cancelled and shall not be available for reissue.

7 (A) The Company will, concurrently with the issue of the same to its ordinary shareholders, send to each holder of a warrant (or in the case of joint holders to the first-named) a copy of each published annual report and accounts of the Company, together with all documents required by law to be annexed thereto, and a copy of every statement, notice or circular issued to ordinary shareholders.

every statement, dotice or circular issued to ordinary shareholders.

(B) For the purpose of these Particulars, the expression "extraordinary resolution" means a resolution proposed at a separate eneeting of the bolders of the warrants duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll. To any such separate meeting all the provisions of the articles of association for the time being of the Company as to general meetings of the Company as to mutundis apply as though the warrants were a class of shares forming part of the capital of the Company but so that (a) the period of notice shall be 21 days at least (b) the necessary quorum shall be holders (present in person or by proxy) entitled to subscribe for one-third in morninal value of the ordinary shares autibusable to the then outstanding warrants (c) every holder of a warrant present in person or by proxy at any such meeting shall be entitled on a poll to one vote and every such holder present in person or by proxy and the present in person or by proxy may demand or join in demanding a poll and (e) if at any adjourned meeting a quorum as above defined is not present, those holders of warrants who are then present in person or by proxy shall constitute a quorum.

#### PARTICULARS OF THE CONVERTIBLE STOCK

The convertible stock was created by a resolution of the board of directors of the Company passed on 13th March, 1985 and will be constituted as an unsecured obligation of the Company by a trust deed (the "trust deed") in favour of The Law Debenture Trust Corporation p.1.c. (the "Trustee") as trustee for the bolders of the convertible stock (the "stockholders"). The trust deed will contain provisions (inter alia) to the following effect:—

1 Definations

For the purposes of these particulars:

(A) "adjusted capital and reserves" means at any time the aggregate of:—

(I) the amount paid up or credited as paid up on the issued share capital of the Company; and

(2) the amounts standing to the credit of the capital and revenue reserves (including any share premits account and capital redemption reserve) of the Company and the subsidiaries plus any credit balance.

account and capital redemption reserve) of the Company and the subsidiaries plus any credit balance on profit and loss account:

all as shown by a consolidation of the then latest audited balance sheets of the Company and the subsidiaries (which shall be prepared on the basis of the historical cost convention modified, if applicable, by the revaluation of land and buildings) but:—

(a) adjusted in respect of any variation in interests in subsidiaries and in the paid up share capital of the Company and the amount of the said reserves since the dates of such balance sheets and taking account of the subscription moneys (including any premium) in respect of any share capital of the Company proposed to be issued for each to the extent to which the subscription thereof has been usecondinously underwritten (provided such subscription moneys and any premium are payable not later than four months after the date of allotment) with effect from the date on which such issue was so underwritten;

so underwritten:

(b) excluding all amounts mespect of unrealised appreciation of investments and all sums set aside for taxation whether in respect of deferred taxation or otherwise;

(c) excluding amounts attributable to minority interests in subsidiaries and any distributions to members of the Company and minority shareholders in subsidiaries out of profits accrued prior to the dates of the relative audited balance sheets and not provided for therein;

(d) excluding all amounts attributable to goodwill (other than goodwill arising only on consolidation) and other intangible assets;

(e) deducting therefrom any debit balance on profit and loss account or any reserve account:

(f) excluding such part of the interests of the Company or a subsidiary in associated company, not being a subsidiary, as is attributable to any post-acquisition undistributed profits and reserves, but including such interests at original cost or, if lower, book value;

(g) deducting therefrom the amount (if any) by which the amount attributable in such consolidation to movable or immovable assets hired and/or leased by the Company and the subsidiaries exceeds the aggregate of the capital amounts in respect of such assets referred to in sub-paragraph (D)(8) below; and

(h) after making such other adjustments (if any) as the auditors (as defined in the trust deed) may PROVIDED THAT for so long as the Company shall not have any subsidiaries this definition shall be read and construed (munain mutands) as though all references herein to subsidiaries and consolidation of balance

and construed (nutratic nutranels) as though all references herein to subsidiaries and consolidation of balance sheets had been omitted.

The certificate or report of the auditors at to the amount of the adjusted capital and reserves at any time or in respect of any period may in the absence of manifest error be relied upon by the Trustee and if so relied upon shall be conclusive and binding on the Company and the stockholders:

"equity share capital" means equity share capital as defined in Section 134 of the Companies Act 1948;

"further stock" menns further insecured loan stock of the Company issued pursant to the provisions of paragraph 7 below and constituted by a trust deed supplemental to the trust deed;

"moneys borrowed" shall be deemed to include:
(1) the principal amount for the time being owing in respect of any debenture within the meaning of Section 455 of the Companies Act 1948, whether issued in whole or in part for cash or otherwise;

(2) the principal amount for the time being owing of any moneys borrowed by or other indebtedness of and the nominal amount of any share capital of any person or body whether corporate or unincorporate the repayment whereof is for the time being guaranteed or secured or the subject of an indemnity given by the Company or a subsidiary and the beneficial interest in the right to such repayment or payment is not owned by the Company or a subsidiary, which shall, except insofar as otherwise taken into account, be deemed to be moneys borrowed by the Company or by such subsidiary as the case may be:

(3) the normal amount of any issued share capital of any subsidiary (not being equity share capital which as regards capital has rights no more favourable than those attached to its ordinary share capital) owned otherwise than by the Company or another subsidiary; which is wholly-owned, which shall be deemed to to moneys borrowed by such first-menioned subsidiary;

(4) the principal amount of any book debts of the Company or any subsidiary which have been sold or indemnit

indemnity or reimburse the purchaser in respect of any non-payment:

but shall be deemed not to include:—

(6) moneys borrowed otherwise falling to be taken into account pursuant to the limit set out in subparagraph (A) of paragraph 5 below and intended to be applied within four mombs of being so borrowed in the repayment of moneys borrowed then outstanding which fall to be taken into account pursuant to such limit pending their application for such purpose or the expiry of such period whichever shall be the earlier;

(7) a proportion of the moneys borrowed of any partly-owned subsidiary (but only to the extent that an amount equivalent to such proportion exceeds moneys borrowed (if any) from such partly-owned subsidiary) by the Company or another subsidiary) such proportion being that which the issued ordinary share capital of such partly-owned subsidiary.

(8) any amount prospectively payable by the Company or any subsidiary for the hire or lease of movable or immovable assets, notwithstanding that a capital amount in respect of such amount may be included as a liability in its latest audited balance sheet; and

(9) moneys borrowed of a company which becomes a subsidiary of the period of six months from the date of such event, but at all times on and after the date of the auditors' report on the audited accounts of the Company for its financial period ending on 31st March, 1985 only to the extent that they exceed any increase in the limit contained in sub-paragraph (A) of paragraph 5 below arising our of the adjustments to be made to the adjustments to be made to the adjusted capital and receives on account of the transaction whereby such company becomes a subsidiary and of any other transaction effected during such period of six months whereby the minority interest (if any) in such subsidiary is reduced;

(E) "ordinary share capital" and "ordinary shares" respectively mean share capital of the Company of the class in issue on 13th March, 1985 and "ordinary shareholders" shall be constanted accordingly; and

Interest at the rate of 7½ per cent, per annum will be payable (less tax) on the convertible stock by equal half-yearly instalments on 31st March and 30th September (each an "interest payment date") in each year in respect of the half-years ending on those dates respectively, except that the first payment of interest on the convertible stock, which will be made on 30th September, 1985, will be in respect of the period from 25th March, 1985 to 30th September, 1985 (both inclusive) and will amount to 390.4p (less tax) per £100 nominal of convertible stock.

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services by throwing the door

Conversion rights

(A) Each stockholder shall (upon and subject to the provisions hereinafter mentioned) have the right (together the "conversion rights") to convert the whole or any part (being an integral multiple of £1 against ) of his holding of the convertible stock as he may specify into ordinary share capital credited in fully paid at the rate (subject to adjustment under sub-paragraph (D) below) of 25p nominal of ordinary share capital (i.e. 1 ordinary share of 25p) for every 105p nominal of convertible stock converted (such rise as 50 adjusted from time to time being hereinafter called the "conversion rate").

(B) Each certificate for convertible stock which remains capable of being converted shall have endorsed thereon a conversion notice. The conversion rights shall be exercisable by sending to the trainier office of the Company at any time during the month of August in any of the years 1988 to 2000 (both inclusive) (each such month (subject as hereafter in this sub-paragraph (B) provided) together with any other period thating which conversion rights may be exercised being hereinafter called a "conversion dete" the relevant conversion period ") so as to be received on or prior to the last day of the relevant conversion period (the "conversion date") the relevant convertible stock certificates (s) with the conversion notice(s) thereon duly completed and signed. The Company shall as at, and not later than 14 days after, the relevant conversion date allot ordinary states in respect of convertible stock converted and within 28 days after the relevant conversion date despatch to the persons entitled thereto certificates for the said shares and (if applicable) separate certificates for any balances of convertible stock not converted and remittances in respect of any fractional entitlements. If for any reason, the audited convolled and a shall mot have been despatched to the subsidiaries for their financial period then most recently completed shall not have been despatched to the subcholders by 31st July in any of the years 1988 to 2000 (both inclusive), the relevant convertion shall be postponed and shall (instead of the month of August) be the period of 31 days immediately following the date of such despatch of such accounts, the relevant convertible stock converted shall be postponed and the Company will inform stockholders by 31st July in such year of such postponement by notice in writing in a form previously approved by the Trustee.

(C) Interest on convertible stock converted shall be payable up to and including the interest payment date last

(C) Interest on convertible stock converted shall be payable up to and including the interest payment date last preceding the relevant conversion date but shall cease to accrue immediately thereafter. Ordinary share capital allotted on conversion shall be credited as fully paid and shall carry the right to receive all dividends and (unless an adjustment shall have been made in respect thereof pursuant to sub-paragraph (D) below) all other distributions (including, but not limited 10, any allotment referred to in sub-paragraph (D) below) declared, paid or made on the ordinary share capital in or in respect of the financial period of the Company in which the relevant conversion date falls, other than dividends in respect of any earlier financial period of the Company, and shall rank pair passe in all other respects and form one class with the ordinary share capital in issue on the relevant conversion date.

(1) Upon any allotment of fully paid ordinary share capital pursuant to a capitalisation of profits or reserves (including share premium account and capital redemption reserve) to any ordinary shareholders on the register on a record date being a date on which any convertible stock remains capable of being converted, the nominal amount of ordinary share capital to be allotted in respect of convertible stock converted on any conversion date following such record date shall be increased in due proportion. No adjustment shall be made in the conversion rate by reason only of a holder of ordinary shares wholly or partially foregoing his entitlement to a cash dividend and in lieu thereof the Company making an issue to him of fully paid ordinary shares by way of capitalisation of an amount standing to the credit of the profit and loss account or revenue reserves equal to the amount of the cash dividend foregone, provided that in respect of each such issue:

(a) the Tiestes shall be the profit and loss account or the same and the strength of the control of the cash dividend foregone, provided that in respect of each such issue: (D)

(a) the Trustee shall have been given not less than 28 days' written notice thereof by the Company;

(b) the Trustee is supplied immediately prior thereto with a certificate from merchant bankers or other advisors approved by the Trustee to the effect that the basis of the issue of ordinary shares as aforestid will not be materially prejudicial to the interests of the stockholders; and (c) the Trustee is otherwise satisfied that the interests of the stockholders will not be materially prejudiced thereby.

(2) If, whist any convertible stock remains capable of being converted, the Company shall make any offer of ordinary shares ("new shares") by way of rights to ordinary share holders for which a listing on The Stock Enchange is obtained then on the occasion of each such offer EITHER the conversion rate shall be adjusted so that the nominal amount of ordinary share capital thereafter allotted in respect of every 105p nominal of convertible stock converted (and proportionately for any other nominal amount of convertible stock converted) shall be increased by an amount (expressed in percent ordinary capital convertible stock).

A equals the nominal amount (expressed in pence) of the new shares (including any fraction of a new share) which would have been offered to a holder of 105p nominal of convertible stock had his conversion rights been exercisable and exercised in full with effect immediately before the record date for such offer at the conversion rate then applicable;

B equals the price per share (expressed in pence) at which the new shares are being offered to ordinary shareholders; and

C equals the average (expressed in pence) of the middle market quotations on The Stock Exchange (calculated by reference to The Stock Exchange Duty Official List) for the new shares nil paid for all business days during the period in which the new shares are dealt in on The Stock Exchange nil paid; OR the Company shall extend the offer at the same time to each stockholder as if his conversion rights had been exercisable and exercised in full on the record date for such offer at the conversion rate then applicable;

(i) in any such case the Company shall at the time of making the offer notify the stockholders in writing that it has exercised its option under this sub-paragraph (2) either so as to adjust the conversion rate or so as to extend the offer to stockholders; and

(ii) if the Company shall on the occasion of any such offer as is first mentioned in this subparagraph (2) exercise its option to extend the offer to stockholders then it shall on the
occasion of each subsequent such offer also exercise its option so to extend the offer unless in
any such case on application by it to the Trustee the Trustee agrees that it may instead adjust
the conversion rate, but so that the Trustee shall not so agree unless a financial adviser
appointed for the purpose by it (acting as an expert and not an arbitrator) shall have stated in
writing that in its opinion so to agree would be likely to be in the interests of the stockholders
as a body.

(3) The Company will forthwith notify the stockholders in writing in a form previously approved by the Trustee of any increases in the conversion rate pursuant to sub-paragraphs (1) and (2) above.

(E) If any offer (not being an offer falling within sub-paragraph (D)(2) above or (H)(10) below) or invitation is made to ordinary shareholders on the register on a record date being a date on which any convertible stock remains capable of being converted, the Company shall make, or use its best endeavours to procupe that there is made, a like offer or invitation at the same time to each stockholder as if his conversion rights had been exercisable and exercised in full with effect immediately before such record date at the conversion rate then applicable. Except for an offer falling within sub-paragraph (D)(2) above, the Company shall not make, or permit any subsidiary to make, any offer or invitation to holders of the ordinary share capital unless it reakes to each stockholder at the same time a like offer or invitation as referred to in the preceding sentence of this selections.

(F) If any fractions of an ordinary share shall fall to be allotted on conversion the shares representing such fractions will not be allotted to the relative converting stockholders but will be aggregated and sold and the net proceeds of sale will be distributed pro rate among the persons entitled thereto, except that where the entitlement of any such person amounts to less than £1, the amount thereof shall not be distributed but shall be retained for the benefit of the Company.

(G) The Company will use its best endeavours:-

(1) to maintain a listing for the convertible stock on The Stock Exchange and, for so long as any convertible stock remains capable of being converted, to maintain a like listing for the ordinary share capital which is fully paid; and

(2) to ensure that during such time as the ordinary share capital is listed or quoted on The Stock Exchange and/or any other stock exchange all the ordinary share capital allotted on conversion will, upon allotment, be admitted to the Official List by the Council of The Stock Exchange and/or will be listed or quoted on such other stock exchange.

(H) So long as any convertible stock remains capable of being converted the following provisions (inter alia) shall

(a) distribute capital profits (whether realised or not) or capital reserves (including any share premium account or capital redemption reserve) or profits or reserves arising from a distribution of capital profits (whether realised or not) or capital reserves (including as aforesaid) by a subsidiary except by means of a capitalisation issue permitted under (b) below or pursuant to any distribution described in sub-paragraph (12) below, and so that for the purpose of this sub-paragraph (H/I)(a), insofar as the relevant audited accounts do not distinguish between capital and revenue profits or reserves the Company and the Trustee shall be entitled to rely upon a written estimate by the auditors as to the extent to which any part of any profits or reserves should be regarded as capital profits or capital reserves;

(b) capitalise any profits or reserves other than by way of a capitalisation issue made only to the ordinary shareholders in the form of fully paid ordinary shares and (if so extended) in like proportions to the holders of any other class of equity share capital of the Company in the form of fully paid ordinary shares or shares of sach other class of equity share capital, or for the purposes of a scrip dividend permitted under sub-paragraph (D)(1) above; or

(c) except with the prior written consent of the Trustee make any offer or invitation to ordinary shareholders or allot any shares in pursuance of a capitalisation issue during, or by reference to a record date falling within, a conversion period or following a conversion period by reference to a record date falling prior to such conversion period;

(2) save as permitted by (1) above or (3) below the Company shall not create or permit to be in issue any equity share capital which as regards voting, dividends, other distributions or capital has more favourable rights than those attached to the ordinary share capital and (without prejudice to the right of the Company to consolidate or sub-divide shares or convert shares into stock) it shall not without the prior written consent of the Trustee in any way after the rights attached to all or any part of its share capital in issue from time to time or attach any special rights, privileges or restrictions thereto or convert any issued share or loan capital into equity share capital except in accordance with the terms of issue thereof:

(3) nothing in (2) above shall prevent the issue of any equity share capital:-

(a) pursuant to any scheme approved by the Company in general meeting to staff and em (including directors holding executive office) of the Company or any subsidiary by natheir office or employment; or

(b) carrying rights for a period not exceeding five years from the date of issue to dividends greater than those paid in respect of the ordinary shares provided that such equity share capital shall have been issued by way of consideration or part consideration for the acquisition of another business or of share or loan capital of another company and that the dividend payable on such equity share capital in respect of any financial period of the Company during such first-mentioned period shall not be at a rate in excess of three times the rate of dividend declared on an equivalent nominal amount of ordinary share capital in respect of the same financial period;

(4) the Company shall not do any act or thing resulting in an adjustment to the conversion rate if, in consequence, the nominal amount of ordonery share capital into which II nominal of the convertible stock would be convertible would exceed II;

(5) the Company shall not (except as authorised by Section 37(2) of the Companies Act 1980 or by Section 45 of the Companies Act 1981 in respect of redeemable shares or of shares purchased by it with the sanction of stockholders as hereinafter mentioned) reduce its share capital or any uncalled or appaid habiting in respect thereof or (except as authorised by Section 55(2) of the Companies Act 1948 and Sections 45(6) and 33(3) of the Companies Act 1931) any amount for the time being standing to the credit of any share premium account or capital redemption reserve or (except with the sanction of an Estraordizary Resolution (as defined in the trust deed) of the stockholders) purchase any of its own shares:

(a) if the Company commences liquidation (whether voluntary or compulsory) it shall forthwith give notice in writing thereof to all stockholders in a form previously approved in writing by the Trustee and thereupon each stockholder shall in respect of the whole or any part of his convertible stock be entitled within six weeks after the service of such notice to elect by notice in writing to the Company to be treated as if a conversion date had occurred on the day immediately praceding the date of such commencement and his conversion rate then applicable (after making any appropriate adjustments pursuant to sub-paragraph (D) above) and in that event, subject as hereafter in this sub-paragraph [H](6)(a) provided, such stockholder shall in lieu of the payments which would otherwise be due in respect of his convertible stock deemed to have been converted as a result of such election be entitled to participate in the assets available in the liquidation pair passu with the ordinary shareholders as if he were the holder of the ordinary shares (including any fraction of an ordinary share) to which he would have become entitled had that convertible stock in respect of which he shall have made such election been converted as aforesaid by virtue of such exercise as at such decrued conversion date. Notwithstanding the foregoing, a stockholder making such election shall be entitled to recrive and retain any payment in respect of the convertible stock in relation to which he shall have made such election which he shall have made such clection which such election shall be entitled to participate. The provisions of sub-paragraph (C) above shall be deemed to apply as if such immediately preceding day as though he had not made such election. For the purpose of deemining the participate, the provisions of sub-paragraph (C) above shall be deemed to apply as if such immediately preceding day, or any day thereafter up to and including the date of service of interest falling due on the convertible stock on such immediately preceding

(b) if the convertible stock shall become immediately due and repayable in accordance with the provisions of the trust deed (for any reason other than the (quadation of the Company) the Company shall forthwith give notice in writing thereof to all stockholders in a form previously approved by the Trustee and thereupon cach stockholder shall in respect of the whole or any part of his conversion rights (such exercise to be with effect as on the day immediately preceding the date on which the conversions stock shall have become so the and repayable which day shall be deemed to be a conversion date) at the conversion rate then applicable (after making any appropriate adjustments pursuant to sub-paragraph (D) above) by completing and signing the conversion motice(s) on his relevant, edge-effible stock certificate(s) and depositing the same at the transfer office of the Company prior to the expiry of such six weeks: Control of the Control of

(7) the Company shall not change the end of its immedial period from 31st March or a day falling within 7 days before or after 31st March in each year unless the relevant conversion periods, conversion dates and interest payment dates shall be altered to such periods and dates, and such other modifications (if any) shall be made to the trust deed, as the Trustee shall require;

(8) the Company shall beep available for issue sufficient authorised but uniqued ordinary shares to satisfy in full all rights for the time being outstanding of conversion into and subscription for ordinary shares;

(9) the Company shall send to all stockholders a copy of every document sent to ordinary shareholders at the time the same it sent to ordinary shareholders and in addition shall send to all stockholders not more than eight weeks and not less than four weeks prior to each conversion date a reminder in a form previously approved by the Treatee of the conversion rights then exercisable;

form previously approved by the Trustee of the conversion rights then exercisable;

(10) if any offer is made to all the ordinary shareholders (or to all such holders other than the offeror said or any company controlled by the offeror and/or persons associated, connected or acting in concert with the offeror; to acquire the whole or any part of the ordinary same capital (the "ordinary offer") with the offeror; to acquire the whole or any part of the ordinary same capital (the "ordinary offer") and the Company becomes aware that the right to cast more than 50 per eem; of the votes which may ordinarily be east on a poll at a general meeting of the Company into or will become vested in the ordinarily be east on a poll at a general meeting of the Company into ordinary cating in a form previously in concert with the offeror, the Company shall give notice of that fact in writing in a form previously in concert with the offeror, the Company shall give notice of that fact in writing in a form previously in concert with the offeror and ordinary shall give notice of that fact in writing in a form previously approved by the Trustee to all stockholders within it on the same terms as to consideration as the ordinary offer in respect of the ordinary sharts allotted or conversion rights in full and accepted the ordinary offer in respect of the ordinary sharts allotted or such conversion (or on terms as to consideration which are, in the opinion of a financial adviser such conversion from them, such terms) has already been, or not here than 45 days after the date of such notice is, them than, such terms) has already been, or not here than 45 days after the date of such notice is, them than, such terms) has already been, or not here than 45 days after the date of such notice is, the ordinary of that fact to all stockholders in a form previously approved by the Trustee and each writing of that fact to all stockholders in a form previously approved by the Trustee and each strusted may, within the period of 30 days after the date

(a) exercise his conversion rights in respect of the whole or any part (being an integral multiple of a nominal) of his conversible stock as he may specify (and so that for this purpose such 30 day period shall be deemed to be a conversion period, the last day thereof shall be deemed to be a conversion date and the provisions of sub-paragraph (C) above shall apply accordingly) at the conversion rate applicable on such deemed conversion date (after making any appropriate adjustments parament to sub-paragraph (D) above); and/or

(b) give notice in writing to the Company requiring the Company to redeem the whole or any part (being an integral multiple of £1 nominal) of his convertible stock as he may specify (excluding convertible stock to be converted under sub-paragraph (a) above) in cash at a price equal to the highest of:-

(I) the average of the middle market quotations of the convertible stock on The Stock Exchange (calculated by reference to The Stock Exchange Daily Official List) for the 14 consecutive dealing days next following the date of the assouncement of the terms of the ordinary offer or, if such terms shall be subsequently revised, the date of the assouncement of such revision; and

announcement or such reveals, and

(ii) the value of the ordinary shares into which the convertible stock required to be
redeemed as aforesaid would be converted if the stockholder were to exercise his
conversion rights pursuant to sub-paragraph (a) above in respect of such convertible
stock, such value to be calculated by reference to the average of the middle market
quotations for the dealing days specified in (1) above of the ordinary shares
(calculated by reference to The Stock Exchange Daily Official List); and

The amount of such redemption (together with interest on the convertible stock so redeemed accrued up to and including the date of redemption) shall be paid on the day sext following the expiry of 15 days after the deemed conversion date referred to in sub-paragraph (a) above.

The publication of a scheme of arrangement under the Companies Acts provided by any person of the whole or any part of the ordinary share capital shall be do of an offer;

of an offer;

(11) the Company shall procuse that so compromise or arrangement (within the meaning of Section 206 of the Companies Act 1948 or any statutory modification or re-maximent thereof) affecting the ordinary share capital shall be proposed unless the stockholders shall be puries to the compromise or arrangement and unless the compromise or arrangement shall be subject to approval by the stockholders in the manner prescribed by the said Section provided that these provisions thall not apply if an offer, proposal, scheme or other arrangement which is, in the opinion of a funancial adviser approved for such pumpose by the Trustee, fair and ressonable (having regard to the terms of such compromise or arrangement) has already been, or not later than the date on which the document containing particulars of the compromise or arrangement shall first be issued to the parties thereto is, made or put to all stockholders nor shall it apply if the Trustee shall be of the opinion that implementation of such compromise or arrangement will not be prejudicial to the interests of the stockholders; and

(12) if the Company shall propose any arrangement pursuant to which the Company is to make a distribution of the kind described in paragraph 2(1)(a) or (b) of Schedule 18 to the France Act 1980 otherwise than by means of (i) an arrangement within the meaning of Section 206 of the Companies Act 1945 permitted by sub-paragraph (H)(11) above or (ii) an arrangement to which the provisions of such sub-paragraph do not apply by reason of the provisio thereto or (iii) an arrangement make or but to all stockholders which is, is the opinion of a financial adviser approved for such purpose by the Trustee, fair and trasonable (bening regard to the tense of such first-mentioned proposed arrangement), it shall give notice thereof in a form previously approved by the Trustee to all stockholders not less than 45 days prior to the proposed record date in respect of the entitlement of ordinary shareholders to receive the relevant distribution (and/or shares in the company or companies to which any such distribution is to be made) and each stockholder may, within the period of 30 days after the date effects proposed.

(a) exercise his conversion rights in respect of the whole or any part (being an integral multiple of 21 notation) of his convertible issuek as he may specify (and so that for this purpose such 30 day period shall be deemed to be a conversion period, the last day thereof shall be deemed to be a conversion date and the provisions of sub-paragraph (C) above shall perpoly accordingly) at the conversion rate applicable on such deemed conversion date (after making any appropriate adjustments pursuant to sub-paragraph (D) above); and/or

(b) give notice in writing to the Company requiring the Company to redeem the whole or any part (being an integral multiple of all nominal) of his convertible stock as he may specify (excluding convertible stock to be converted under sub-paragraph (a) above) in cash at a price equal to the highest of.—

(i) the average of the middle market quotations of the convertible stock on The Stock Exchange (calculated by reference to The Stock Exchange Daily Official List) for the 14 consecutive dealing days next following the date of the said fielder from the Company or the date on which the Company shall amounte to its members the terms of the first-mentioned proposed arrangement (whichever shall be the earlier);

(ii) the value of the ordinary shares into which the convertible stock required to be redeemed as aforesaid would be converted if the stockholder were to exercise his conversion rights pursuant to sub-paragraph (a) above in respect of such convertible stock, such value to be calculated by reference to the average of the middle market quotations for the dealing days specified in (i) above of the ordinary shares (calculated by reference to The Stock Exchange Daily Official List); and
(iii) par. (m) par.

The amount of such redemption (logether with interest on the convertible stock so redeemed accrated up to and including the date of redemption) shall be paid on the day next following the expiry of 15 days after the deemed conversion date referred to in sub-paragraph (a)

(f) If immediately after any conversion date (not being the conversion date in respect of the year 2000), taking into account all conversion rights exercised on that date, 75 per cent. or more in nominal amount of the convertible stock (which expression for the purpose of this sub-paragraph (1) shall include any further stock forming a single series therewith but exclude any of the convertible stock or such further stock purchased by convertible stock (which expression for the purpose of this sub-paragraph (1) shall include any further stock forming a single series therewith but excited any of the convertible stock or such further stock purchased by the Company or any subsidiary and cancelled) shall have been converted the Company shall be entitled by not less than 30 nor more than 60 days' actice in writing to all stockholders in a form previously approved by the Trustee (a "compulsory conversion notice") given within 30 days after that conversion date, to convert, on the expiry date of such compulsory conversion notice, the whole (but not part only) of the convertible stock into ordinary share capital at the convertible stock of each stockholder shall, subject as hereafter in this sub-paragraph (1) provided, be automatically converted at such rate on taste expiry date and in the event of such for this purpose such expiry date shall be deemed to be a conversion date and the provisions of this paragraph in the interest payment date shall be deemed to be a conversion date and the provisions of this paragraph (1) the interest opening the expiry date of such convertible stock on that interest payment date shall be deferred pending the expiry date of such convertible stock on that interest payment date shall be deferred pending the expiry date of such convertible stock on that interest payment date shall be deferred pending the expiry date of such convertible stock on that interest payment date shall be deferred pending the expiry date of such convertible stock in relation to which the right specified in the provision to this sub-paragraph (1) shall be duly exercised), provided that each stockholder shall have the right by giving written notice to the Company within 21 days after the service of a computatory conversion notice so require the Company, in item of convertible, and the expiry date of the compulsory conversion notice in require the Company, in item of the expiry, date of the compulsory conversion notice in the interest accrued up to

(3) If by the conversion date in or in respect of the year 2000 the Company shall not have exercised its rights under sub-paragraph (1) above, the Trustee may at its absolute discretion and without any responsibility for any loss occasioned thereby, within the period of 21 days following such conversion date, exercise all conversion in this sort exercised no or before such conversion that exprisable on the date of exercise and sell for the benefit of the stockholders entitled thereto the ordinary shares allowed on such conversion, provided that the Trustee shall not exercise such conversion rights onless a financial adviser appointed for the purpose by it (acting as an expert and not an arbitrarior) shall have stated in writing that in its opinion the exercise of such conversion rights and sale by the Trustee would be in the interests of the stockholders concerned as a body. Such period shall be deemed to be a conversion period and the date of exercise of such conversion rights shall be deemed to be a conversion for sub-paragraph (C) above shall apply accordingly.

(K) The conversible stock shall be known as 7½ per cent. conversible unsecured loan stock 2000 so long at any conversible stock shall remain capable of being converted. Thereafter the word "convertible" shall be omitted from the title.

(L) For the purpose of these particulars convertible stock for the time being unconverted shall pending converted from the date of issue thereof up to a including the last date on which it could be converted or be treated as converted pursuant to any provision this increase and 3

this paragraph 3.

Perchase and redemption

(A) The Company or any subsidiary may at any time purchase convertible stock-on any recognised stock exchange or by tender (available to all succholders alike) or by private treaty, is each case at a price listed on The Stock Exchange shall not exceed the average of the middle market quotations therefor on The Stock Exchange shall not exceed the average of the middle market quotations therefor on The Stock Exchange (calculated by reference to The Stock Exchange Daily Official Lat) during the period of 10 Exchange, at the market price thereof provided that such market price is not more than 5 per cent, above such average, and which, if the convertible stock is not then listed, shall not exceed 110 per cent. of the nominal amount thereof, but not otherwise.

(B) All convertible stock not previously redeemed, purchased or converted in accordance with any of the foregoing provisions will be redeemed on 30th September, 2000 or, if later, the date falling 30 days after the conversion date in or in respect of the year 2000, at par together with innerest accrued up to and including that notice to the Company not later than 25th September, 2000 any stockholder may by giving such notice specify of his convertible stock (not being convertible stock in respect of which a conversion notice has been duly delivered) on 30th September, 2000 at par together with interest accrued up to and including that date.

(C) All convertible stock redeemed, purchased or converted in accordance with any of the foregoing prosball be cancelled and shall not be resssued.

(D) The Company may exercise its rights and powers of redemption, purchase and compulsory or regards the convertible stock and any further unsecured loan stock which may be issued paragraph 7 below (not being a series which is identical and forms a single series with the converti its sole discretion and without obligation to maintain the ratio between the nominal amounts' being outstanding of stock of any series.

(A) The Company will procure that so long as any part of the convertible stock remains outstanding the aggregate principal amount (including any fixed or minimum premium payable on final redemption) for the time being outstanding of all moneys borrowed (whether secured or not) of the Company and the subsidiariest from another subsidiary) shall not at any time up to but sectuding thought from the Company for a subsidiary or by a subsidiary from the Company or audited accounts of the Company for its financial period ending on 31st March, 1966 exceed \$10.5 million and capital and reserves.

(B) When the aggregate amount of moneys borrowed required to be taken into account for the purposes of the limit contained in sub-paragraph (A) of this paragraph 5 on any particular day is being attentioned, all soft moneys borrowed, denominated or rephysbic in a currency or currencies other than sterling shall be converted for the purpose of calculating the sterling equivalent at the rate(s) of exchange provailing on that prevailing in London is months before such day if thereby the sterling equivalent thereof would be less (and the Irustee for the exchange rate of exchange) and the Irustee for the exchange of the relevant currency into sterling at 11.00 a.m., London time, out the relevant with a bank approved by the Irustee, at the rate of exchange specified therein.

The the automate of the foresting provisions of this paragraph, any company which it is proposed shall.

(C) For the purposes of the foregoing provisions of this paragraph, any company which it is proposed shall become or cease to be a subsidiary contemporaneously with any relevant transaction shall be treated as if it.

Restriction on the change in noture of business of the Company and the subsidiaries

Except with the provious written consent of the Trustee the Company shall not and shall procure that the subsidiaries shall not (whether by acquisition or otherwise) make any alteration or any series of alterations to the nature of their

THE PLANTATION TRUST CO. plc continued respective businesses if as a result thereof the businesses of the Company and the subsidiaries for the time being taken as whole and as a single business would to a material extent be other than the business of an investment trust deemed not to be such an alteration.

7 Issues of further unsecured loss stock

Subject to the terms hereof, provision will be made to enable further unsecured loan stock of the Company to be issued either so as to be identical in all respects with and to form a single series with the convertible stock or on such Company and determine.

Such further unsecured loan stock shall if identical and forming a single series with the convertible stock or on such Company may determine.

Such further unsecured loan stock shall if identical and forming a single series with the convertible stock and may in accordingly be further stock.

Mo additional loan stock shall if identical and forming a single series with the convertible stock and may in accordingly be further stock.

No additional loan capital of the Company or any subsidiary shall be paid up in whole or in part by way of capitalisation of profits or reserves or be issued by way of collateral security.

Stockholders will have power by Extraordinary Resolution (inter alia) to sauction any modification, abrogation or compromise of, or arrangement in respect of, their rights against the Company and to assent to any modification of the provisions of the trust deed. In addition, the Trustee may from time to time without the consent or sanction of the stackholders (but only if and insofar as in the opinion of the Trustee the interests of the stockholders will not be expedient any breach or proposed breach by the Company of any of the covenants or provisions of the trust deed, or omission which would or might otherwise whether on its own or together with any other act provisions of the trust deed, provision soft the trust deed shall not do so or assent to any modification of the stock and each series of any further stock when the Trustee considers this appropriate.

The trust deed will contain provisions for the indemnification of the Trustee and for its relief from responsibility in circuin events. Any consent given by the Trustee may be given on such terms and subject to such conditions (if any) as the Trustee, may in its absolute discretion think fit and, notwitistanding anything to the contrary in these particulars contained, may be given retrospectively.

The trust deed will not contain any provisions relating to the removal of the Trustee but will permit the Trustee to retire at any time without assigning any reason.

The Company will have the power to appoint a new trustee but such new trustee shall be subject to the approval of an Extraordinary Resolution of the stockholders.

The convertible stock will be registered and transferable in integral multiples of 50p nominal. Convertible stock cartificates will be numbered consecutively.

Note: The trust deed will not contain any provision precluding the Company and the subsidiaries from disposing of any of their respective assets or, save as mentioned in paragraph 5 above, restricting borrowings which are secured or otherwise rank in priority to the convertible stock and will not provide for any subsidiaries to guarantee the convertible stock or for prescription periods. SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company's objects

The memorandum of association of the Company provides that the Company's principal objects are to carry on the bestiness of an investment tries company mail its branches, and for that purpose to acquire and hold for investment shares, stock, debentures, debenture stock, bonds, obligations and securities issued or guaranteed by any company and debentures, debenture stock, bonds, obligations and securities issued or guaranteed by any government, stowereign, rules, commissioners, public body or abtitionly, supraise, intuncipal, local or otherwise, and units of and other rights in unit trusts; mutual funds, collective investment undertakings and other bodies and entities, in any such case, whether at home or abroad, and to leave money on deposit or otherwise with any bank or any other party and to act as and to perform all the functions of a holding company. The objects of the Company are set out in full in clause 4 of the memorandum of association which is available for inspection at the address specified in paragraph 8 under "General information" below.

The articles of association of the Company contain, inter alia, provisions to the following effect:-

The directors shall convene an extraordinary general meeting of the Company to be held on or after 30th June and before 31st December, 1995 at which a resolution will be proposed to the members to consider whether the Gompany should be wound up voluntarily. (b) Voting

Subject to disenfranchisement of a member in the event of non-payment of any calls or other moneys due and payable in respect of any shares or non-compliance with a statutory notice requiring disclosure as to peneficial ownership and subject to any special terms as to voting on which any shares may be held, on a show of hands every member present in person shall have one vote for every share held by him.

Barrowing policies

The directors of the Company may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, and, subject to the Companies Acts 1948 to 1981, to issue debentures, loan stock and other securities whether outright or as a collateral security for any debt, liability or obligation of the Company or of any third party. The articles of association contain a limit on the borrowing powers of the Company and any subsidiaries in the same terms mutants as that stated in "Particulars of the convertible stock" above. (d) Capital reserve

The directors of the Company shall establish a capital reserve and carry to the credit of such reserve appreciations arising on the sale, realisation, transposition or ne-valuation of any investments or other capital assets of the Company in excess of the book value thereof or apply the same in providing for depreciation or contingencies or for some other capital purpose. Any losses realised on the sale of any investments or other capital assets may be debuted in whole or in part against the capital reserve together with any taxation arising in consequence of the disposal of any asset. The capital reserve, together with all moneys in the nature of accretion to capital assets, shall be treated for all purposes as capital assets and shall not be available for dividend.

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All or any of the rights or privileges attaching to any class of share may, subject to the provisions of the Companies Acts 1948 to 1961, be varied or abrogated either with the consent in writing of the holders of not less than three-flourits of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such shares.

ectors

(i) The minimum number of directors is two and the maximum ten.

(ii) The minimum number of directors is two and the maximum ten.

(iii) No share qualification shall be required.

(iii) Subject to the provisions of the Configures Acts 1948 to 1961 the directors may from time to time appoint one or more of their number to be the holder of any executive office on such terms (including remumeration) as they think fit and, subject to the terms of any contract between him and the Company, may at any time revoke any such appointment. A director appointed as an executive chairmap or as managing or joint managing director shall not, while holding such office, be subject to retirement by rotation or be taken into account in determining the rotation or retirement of directors. At each anough general meeting one-third of the directors who are subject to retirement by rotation (or the number nearest to but not exceeding one-third) shall retire by rotation.

(iv) Subject to the provisions of the Companies Acts 1948 to 1981 a director may hold any other office or place of profit mader the Company (other than that of auditor) in conjunction with his office of piace of profit usder the Company (other than man of sudmor) in confunction with its owner or director for such a period and on such terms (as to remuneration and otherwise) as the directors may determine and no director is disqualified by his office from contracting with the Company or is liable. To account to the Company for any profit realised by any such contract by reason of such director disholding that office. Any director may act by himself or his firm in a professional capacity for the "Company" (otherwise than is suditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director.

(v) The remuneration of the directors shall be paid at the rate of £1,000 per annum for each director or ) The remineration of the directors shall be paid at the rane of all the per minum for each director or such greater amount as shall be determined by ordinary resolution of a general meeting of the Company. Such remaineration shall be deemed to accrue from day to day. The directors may also be paid all expenses properly incurred by them in attending meetings of the directors, any committee of the directors, general meetings or separate meetings of the holders of any class of shares or otherwise in or with a view to the performance of their duties.

(vi) Any director who upon request renders any extra or special services shall be entitled to receive such
 Aim as the directors may think fit for expenses and such remuneration as the directors may think fit
 Sether in Midition to or in substitution for any other remuneration be may be entitled to receive.

same as meanrecture may think in our expenses and such remuneration as the directors may think in the lighterin Midition to or in substitution for any other remuneration be may be entitled to receive.

(vii) Save in relation to certain specific exceptions provided in the articles of association (namely congerging the giving of security in respect of money lent by a director or obligations undertaken by him for the benefit of the Company or in respect of a debt or obligation of the Company for which he assumed responsibility under a guarantee or indemnity or by the giving of security, a contract by a director to underwrite shares, any contract with any other corporation or firm where the director's interest does not exceed 1 per cent, of any class of equity share capital or voting rights available to members, acts in relation to a pension scheme approved by the Inland Revenue or any matter connected with an employee share scheme other than the grant of any option or allocation of any shares or any other matter concerning his individual participation), a director shall not vote or be counted in the quorum present at a meeting in relation to any resolution on which he is debarred from voting in regard to any contract, transaction, arrangement or proposal in which he has to his knowledge a material interest. Subject to the provisions of the Companies Acts 1948 to 1981 the Company may by ordinary resolution suspend or relax such provision to any extent or ratify anything not duly authorised by reason of such provision.

(viii) No person shall be disqualified from being appointed a director and no director shall be required to vacate his office by reason only of the fact that he has attained the age of 70 years or any other age, nor shall it be necessary to give special notice or comply with any other special formatity in connection with the appointment of a director over a specified age save that in the case of the appointment of a director who has attained the age of 70 his age shall be stated in the notice conveni

(ix) The directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or any subsidiary or too his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance and may make payments for or towards the insurance of any such person.

(g) Issue of securities Subject to the provisions of the Companies Acts 1948 to 1981, all unissued shares are at the disposal of the directors who may allot, grant options over or otherwise dispose of them to such persons, at such times and upon such terms and conditions as they may determine.

The ordinary shares are in registered form and may be transferred by an instrument of transfer in any usual or common form, or in such other form as the directors may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, indees the share is fully paid, by or on behalf of the transferor. The directors may, in their absolute discretion and without giving any reason, refuse to register a transfer of any share which is not fully paid. The articles contain no restrictions on the transferability of fully paid ordinary shares, provided that transfers are in favour of not more than four transferees.

(i) Dividends and distribution of assets on liquidation The holders of the ordinary shares are entitled pari passu amongst themselves but in proportion to the number of ordinary shares held by them to share in the whole of the profits of the Company paid out as number of ordinary shares held by them to share in the whole of the profits of the Company paid out as number of ordinary shares held by them to share in the sale, changes, realisations or transpositions of dividents (which shall exclude all profits arising from the sale, changes, realisations or transpositions of investments or other capital assets) and the whole of any surplus in the event of the liquidation of the company of the sale. 

Any dividend encisimed after a period of 12 years from the date it became payable may be forfested by the directors. (j) Dittider

GENERAL INFORMATION

(a) The Company was incorporated in England as a public limited company under the Companies Acts 1948 to 1981 on 8th March, 1983 (registered number 1893)40) with an authorised share capital of \$4.000.000 divided into 16,000.000 ordinary shares of 25p each. On 11th March, 1985 two ordinary shares were issued at 95p each to the subscribers to the memorandum of association as nominees of Noble Grossart Limited. 1 Share capital

(b) On Hith March, 1985 resolutions of the Company were passed whereby:-

(i) The directors were given authority pursuant to Section 14 of the Companies Act 1980 (expiring on 1st March 1990) to allot relevant securities (as defined in that Section) up to a maximum nominal value of £4,000,000;

(ii) a limited disapplication of Section 17(1) of the Companies Act 1980 was effected to enable this offer for sale to be implemented and a further limited disapplication thereof (expring on the date of the first annual general, meeting of the Company) was effected to permit the allotment of equity first annual general, meeting of the Company) was effected to permit the allotment of equity securities (as defined in that Section) pursuant to the authority referred to above in connection with any rights issue to the holders of equity securities and for the purposes of other allotments of equity securities up to an aggregate nominal value of £287,500; and

(iii) the Company aftered its articles of association.

(e) On Hith Mirch, 1985 the Company allotted to Noble Grossart Limited a further 199, 398 ordinary shared to Noble Grossart Limited a further 199, 398 ordi

(d) On 13th March, 1985 the Company by resolution of the board created warrants, having the rights set out under "Particulars of the warrants" above, to subscribe for 1,400,000 ordinary shares.

(e) On 13th March, 1985 the Company by resolution of the board created £3,500,000 nominal of 7½ per cent. convertible unsecured loan stock 2000 having the rights set out under "Particulars of the convertible stock" above:

(f) The share capital of the Company is as follows:-Ordinary shares ed to subscribers used to Noble Grossart Limited In issue following the offer for sale ... 7,000,000 In issue following the offer for sale
Reserved for issue pursuant to the exercise of warrants
Reserved for issue pursuant to the conversion of the convertible stock 12,258,333 3,741,667 Aggregate number presently authorised .. .. .. 16,000,000 Save as disclosed above since incorporation there have been no operations which have changed the amount of the issued capital of the Company.

(g) Save as disclosed in paragraph 3 below, or in relation to the warrants, convertible stock and options referred to in paragraph 4 below:-

commissions, discounts, brokerages or other special terms have been granted by the Company in anection with the issue or sale of any share or loan capital of the Company; and (ii) no share or loan capital of the Company is under option or agreed conditionally or und to be put under option.

Following the completion of this offer for sale 9,000,000 ordinary shares will remain unissued. Save in the event of any accelerated rights of subscription or convertion arising in accordance with the rights attaching to the warrants, options or convertible stock, no material issue of ordinary shares of the Company (other than to shareholders pro rate to existing holdings) will be made within one year of the date of this document without the prior approval of shareholders in general meeting.

At the date hereof, apart from the convertible stock referred to herein, the Company has no loan capital outstanding, or created but unissued, and no term loans nor any outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits, here purchase commitments or guarantees or other contingent liabilities.

By an agreement dated 13th March, 1985 and made between the Company, its directors and Noble Grossart Limited. Noble Grossart Limited agreed, subject to the Council of The Stock Exchange admitting the whole of the issued share capital, warrants and convertible stock of the Company to the Official List, to subscribe 6,800,000 ordinary shares in the Company (with warrants) at a subscription price of 92,88625p per share and £3,500,000 in nominal amount of the convertible stock at par and to offer the same together with the two subscriber shares and the 199,998 ordinary shares referred to in poragraph 1 above to the public in units of five ordinary shares and the 199,998 ordinary shares referred to in poragraph 1 above to the public in units of five ordinary shares, one warrant and £2.50 in nominal amount of the convertible stock for an aggregate consideration of £7.25 per unit. Under this agreement the Company will pay to Noble Grossart Limited a commission of 2 per cent. (plus value added tax) of the total offer for sale price of the 1,400,000 units and a fee of 4 per cent. thereof (plus value added tax) to the brokers to the issue. The Company has agreed to pay brokerage of ½ per cent. (plus value added tax) to recognised banks, stockbrokers, solicions and chartered accountants on accepted applications bearing their stamp (not being applications made pursuant to the sub-underwriting arrangements). The Company has also agreed to pay a fee to the brokers to the issue of £5,000 (plus value added tax) and all other costs and expenses of and incidental to the issue (including any applicable value added tax) including the expenses of printing, advertising, circulating this offer for sale, capital duty, registrars, charges, listing fees, the receiving bankers charges and the fees of the reporting accountants and of the solicitors to the Company and to the offer for sale, capital duty, registrars, charges, isotaling the offer for sale and to the Trustee for the holders of the convertible stock. These expenses, including

The agreement also contains provisions which permit it, as mentioned therein, to be terminated by Noble Grossart Limited, prior to the despatch of letters of acceptance, in the event of a material breach of any of the representations given to Noble Grossart Limited determines that, by reason of a material adverse change in market conditions, the offer for sale should not proceed.

(a) Save as referred to below no director has at the date hereof any interest (as defined in Part IV of the Companies Act 1981) in the share capital of the Company. Under option agreements dated 13th March, 1985, the Company has granted to the directors options to subscribe for ordinary shares at 100p per share as set out below:-

Edwin Hadsley-Chaplin Derek Baer John Campbell Stephen Kershaw

Subject to accelerated rights to exercise the options in the event of a take-over or winding up, the options will be exerciseable between 1987 and 1992.

(b) Save as disclosed in sub-paragraph (c) below there are no transactions which have been entered into by the Company since incorporation in which any of the directors are interested and which are or were unusual in their nature or conditions or significant in relation to the business intended to be carried on by the Company.

their nature or conditions or significant in relation to the business intended to be carried on by the Company.

(c) The promoters of the Company are David Hume Securities Limited, Noble Grossart Limited, Kitest & Aitken and the directors. John Campbell is a director of Noble Grossart Limited which is underwriting the offer for sale on the terms set out in paragraph 3 above. David Hume Securities Limited, a company controlled by David Pinsent, will be receiving a fee of £12,000 (plus value added tax) in respect of services in connection with the offer for sale and will receive the fees pursuant to the agreement referred to a paragraph (f) below. Stephen Kershaw will be receiving remuneration pursuant to the agreement referred to in subparagraph (c) below. David Hume Investments Management Limited, in which certain of the directors and Noble Grossart Limited are interested as mentioned under "Investment management" above, will, subject to the investment management agreement referred to in paragraph 5 below becoming effective, receive fees thereunder. Save as aforesaid no amount or benefit has been paid or given to any such promoter since the incorporation of the Company and none is intended to be paid or given to any such promoter since the incorporation of the Company and none is intended to be paid or given other than in respect of directors' fees or other fees for services which may be rendered in the future.

(d) The directors are aware of the following interests which, immediately following the offer for sale, will, or may depending on the level of applications, amount to 5 per cent. or more of the units of the Company:

Funds managed by Save & Prosper Securities Limited Sun Life Assurance Society Scottish Northern Investment Trust PLC Barclays Unicons Group G.T. Management Limited

Save as disclosed above, the directors are not aware of any other person who, following the offer for sale, would be required to disclose an interest in the ordinary share capital of the Company under Part IV of the

(e) By a service agreement dated 13th March, 1985 between the Company, Stephen Kershaw and David Hume Investment Management Limited. Stephen Kershaw was engaged by the Company opiding the investment management agreement referred to in paragraph 5 below becoming effective. If such investment management agreement does not become effective, Stephen Kershaw will be employed by the Company until 12th March, 1988 and thereafter maless and until determined by 12 months notice given by either party. The current rate of salary is 225,000 per anasma and in addition he is entitled thereunder to a non-contributory pension arrangement and car. Upon the investment management agreement becoming effective, Stephen Kershaw will be employed by David Hume Investment Management Limited on like terms. Save as aforested no director has a service contract with the Company.

(f) By an agreement dated 13th March, 1985 between the Company, David Hume Securities Limited and David Hume Investment Management Limited, David Hume Securities Limited was engaged by the Company, pending the investment management agreement referred to in paragraph 5 below becoming effective, to provide office and advisory services. If such investment management agreement does not become effective. provide order and advisory services. If such investment management agreement does not become effective David Hume Securities Limited will be engaged by the Company until Lish March, 1988 and thereafter unless and until determined by 12 months' notice given by either party. The fee payable to David Hume Securities Limited is 25,000 per annum (plus value added tax) subject to review. Open the investment management agreement becoming effective, David Hume Securities Limited will be engaged by David Hume Investment Management Limited on like terms.

(g) It is estimated that for the period ending 31st March, 1986 the aggregate of the other emolar directors will be approximately £4,500. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:-

(a) the offer for sale agreement referred to in paragraph 3 above;

(b) the management agreement dated 13th March, 1985 between the Company and David Hume Investment Management Limited mentioned under "Investment management" above in respect of the provision of investment management services to the Company for a quarterly fee of 0.2 per cent. of the value of the Company's gross assets, such fee being payable in advance. The agreement mentioner context upon David Hume Investment Management Limited obtaining relevant principal's and representatives' licences from the Department of Trade under the Prevention of Fraud (Investments) Act 1958. The agreement is for a duration of three years and thereafter unless and until determined by 12 months' notice given by either parry; and

(c) the option agreements dated 13th March, 1985 between the Company and each of the directors referred to in paragraph 4 above. Taxation

(a) Under current United Kingdom tax legislation, the Company is required when paying a dividend to remit to the Inland Revenue an amount of Advance Corporation Tax ("ACT") at a rate which is currently if this of the dividend paid less the amount of any tax credit attaching to dividends received from United Kingdom resident companies. Consequently, the ACT related to a dividend currently equals 30 per cent. of the sum of the cash dividend plus the ACT. For non-corporate shareholders resident in the United Kingdom, as amount equal to the ACT paid is available as a tax credit which such shareholders may be able to set off against their total income tax liability or, in appropriate cases, reclaim in cash. A United Kingdom resident corporate shareholder will not be liable to United Kingdom corporation tax on any dividend received. Persons should consult their own tax advisers about their personal situations and the possibility of claiming tax credits equivalent to the ACT paid on the dividend.

Whether shareholders who are resident in countries other than the United Kingdom are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on such shares depends in general upon the provisions of any double tax convention or agreement which exists between such countries and the United Kingdom.

Persons who are not so resident in the United Kingdom should also consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming payment and as to the relief or credit which may be claimed in the jurisdiction in which they are resident.

(b) The Company's income after deducting loan interest and management expenses and excluding dividends received from other United Kingdom companies will be subject to United Kingdom corporation tax. Income arising from outside the United Kingdom may suffice foreign tax which will generally be available to reduce United Kingdom tax payable, either by way of a credit against United Kingdom corporation tax or by

(c) The directors consider that the Company will not be a close company immediately following the completion of this offer for sale.

(d) In the event of a winding up of the Company the directors have been advised that, under present law, the receipt of distributions in the liquidation of the Company would operate as a disposal or part disposal of shareholdings in the Company for the purposes of United Kingdom taxation of chargeable gains. If thought desirable at the time, an application would be made for any appropriate tax clearances. (e) The directors have been advised that under current law and practice for the purposes of United Kingdom taxation of chargeable gains:-

(i) the cost to shareholders of subscribing ordinary shares with warrants will be apportioned on the basis of their respective values, which should be established by reference to the market value of such ordinary shares and warrants on the first day of dealing; the cost of the convertible stock will be at par;

(ii) disposal (a term which includes abandonment) of a warrant prior to exercise of the subscription right conferred by the warrant may give rise to a gain or loss by reference to the acquisition cost of the

(iii) the exercise of the subscription rights conferred by the warrants will not constitute a disposal of an asset, but their cost will be added to the amount paid on exercising those rights in computing any gain or loss on disposal of the ordinary shares acquired pursuant thereto; and

(iv) the warrants will not constitute "wasting assets" under Section 138 of Capital Gains Tax Act 1979 and, on their disposal or abandonment, the cost attributable to the warrants, calculated as above, would be allowed in computing any gain or loss.

(f) Shareholders may be liable to United Kingdom taxation on chargeable gains arising from the sale or other disposal of ordinary shares.

(g) The interest arising on the convertible stock may be subject to United Kingdom income tax or corporation tax depending on the status of the holder.

The conversion of the convertible stock into ordinary shares will not constitute a disposal for the purposes of United Kingdom taxation of chargeable gains and such shares will be deemed to have been acquired as and when the convertible stock was acquired.

Disposal of the convertible stock prior to conversion may give rise to a capital gain or loss, since there is no exemption if such stock is held for more than 12 months. The Chancellor has announced that an "accrued income scheme" will be introduced in the forthcoming Finance Bill and accordingly part of the receipt on a disposal representing accrued interest may be treated as income. General

(a) The Company has not since its incorporation been engaged in and is not currently engaged in any frigation or arbitration nor, so far as the directors are aware, is there any litigation or claim pending or threatened against the Company.

(b) Save as disclosed herein there has been no significant change in the trading or financial position of the Company since its incorporation.

(c) Deloitte Haskins & Sells have given and have not withdrawn their written consent to the issue of this document with the inclusion therein of their accountants' report set out above in the form and the context in

(d) It is the Intention of the directors so to conduct the affairs of the Company that it satisfies the requirements for qualification as an investment company laid down in Section 41 of the Companies Act 1980; the Company has given notice to the Registrar of Companies of its intention to carry on business as all Evelopeth Company

(e) The principal place of business of the Company is at 8 Cresteent, London EC3N 2LY. Save in respect of the service contract arrangement relating to Stephen Kershaw referred to in paragraph 4 above, the Company does not have and has not had since its incorporation any employees.

(f) Each dividend on the ordinary shares will be paid to those holders of ordinary shares on the register of members on the record date for such dividend. Such record date will normally be 4 to 6 weeks before the date

of payment.

(g) The offer for sale is made by Noble Grossart Limited, merchant bankers, registered in Scotland (number 46205), whose registered office is at 48 Queen Street, Edinburgh, EH2 3NR.

(h) It is expected that the ordinary shares, warrants and convertible stock will be admitted to listing on 20th March, 1985, that fully paid renounceable letters of acceptance will be posted to successful applicants under the offer for sale on 25th March, 1985, that dealings in the units will commence on 25th March, 1985 and that dealings in the ordinary shares, warrants and convertible stock separately will commence on 25th April, 1985.

dealings is the ordinary spares, warrants and convertible stock separately will commence on \_\_in April. 1965.

(i) Arrangements have been made for the units now being offered for sale to be registered by the Company free of stamp duty in the names of the successful applicants or the persons in whose favour letters of acceptance have been renounced provided that, in cases of renunciation, letters of acceptance (duly completed in secondance with the instructions contained therein) are lodged for registration not later than 20th April, 1965. Share, warrant and convertible stock certificates will be posted on 24th May, 1965.

Copies of the following documents will be available for inspection at the offices of Stephenson Harwood, Sar Hall, Gutter Lane, Cheapside, London EC2V 6BS during normal business hours on any weekday (San excepted) for 14 days from the date of this document:—

(a) the memorandum and articles of association of the Company;

(b) the report from the auditors and reporting accountants set out above;
(c) the contracts for services referred to in paragraph 4 above;
(d) the material contracts referred to in paragraph 5 above;

(e) the consent referred to in paragraph 7 above; and

(f) a draft (subject to modification) of the trust deed to constitute the convertible stock,

#### APPLICATION PROCEDURE

Numbers of units which may be applied for Applications must be inade on the application form below in accordance with the terms thereof, and must be for a minimum of 10 units (referred to below as "units") and in the following multiples: Applications for not less than 10 units and not more than 100 units: in multiples of 10 units

Submission of application forms and payments 2 Submission of application forms and payments

Each application form must be accompanied by a separate chaque or bankers' draft for the full amount payable on application form must be accompanied by a separate chaque or bankers' draft for the full amount payable on application and be forwarded or handed in to Barciays Bank PLC. New Issues Department; P.O. Box 123, Fleetway House, 25 Farringdon Street, London EC4A 4HD so as to arrive not later than 10 n.m. on Thursday 21st March, 1985. Cheques and bankers' drafts which must be drawn in sterling on a branch in the United Kingdom, the Channel Islands or the Isle of Man of a bank which either is a member of the London or Scottish Clearing Houses Association or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided by the members of those Clearing Houses and must bear the appropriate sorting code number in the top right corner, must be made payable to "Barciays Bank PLC" and crossed "Not Negotiable" and must represent payment in full of the application price. Photostat copies of application forms will not be accepted.

ctory commissions payable

A commission of 1/2 per cent. (plus value added tax) will be allowed to recognised banks and stockbrokers on accepted applications bearing their stamp and value added tax registration number (if applicable). This commission will not, sowever, be paid in respect of applications received from sub-underwriters of the offer for sale to the extent of their

The right is reserved to present all chaques on receipt and to retain letters of acceptance and excess application money pending clearance of applicancy chaques. Due completion and delivery of an application form, accompanied by the necessary chaque, shall constitute an undertaking that the chaque will be honoured on first presentation; a provision to that effect is contained in the application form. Noble Grossart Limited reserves the right to reject or scale down any application for thits and, in particular, to reject applications which is its opinion are multiple or suspected multiple applications and applications for an undue number of units. Applications will be irrevocable until 25th March, 1985 and may only be revoked after that date to the extent that they have not been accepted prior to receipt of notice of revocation.

525,000

Formal acceptance of applications will be effected by notification of the basis of allocation to The Stock Exchange. Acceptance of applications will also be conditional on the ordinary shares, warrants and convertible stock being admitted to the Official List of The Stock Exchange on or before 22nd March, 1985 (subject only to acceptance). Moneys paid in respect of applications will be returned if such admission is not granted by that date and in the meantime will be retained in a separate bank account. If any application is not accepted, or is scaled down, the application moneys or the balance thereof, as the case may be, will be returned by cheque through the post (in all cases without interest) at the applicant's risk. By completing and delivering an application form each applicant will be confirming that he is not relying on any information or representation in relation to the Company other than as contained in the offer for sale document and accordingly he will be agreeing that no person responsible for such document shall have any liability for any such information or representation; he will also be agreeing that he is not entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of his application.

6 Renounceable letters of acceptance
Fully paid renounceable letters of acceptance in respect of units will be sent by post to successful applicants at their
risk. It is expected that letters of acceptance will be posted to successful applicants on Monday 25th March, 1985 and
that dealings in units will commence on 26th March, 1985. The last date for registration of renunication is 26th April,
1985; the ordinary shares, warrants and convertible stock will thereafter be registered and will then four not before
be transferable separately. Shares, warrant certificates and convertible stock certificates with be despatched
on 24th May, 1985. Pending the issue of certificates, instruments of transfer of ordinary shares, warrants and
convertible stock will be certified against the respective registers.

The ordinary shares now being offered for sale rank in full for all dividends hereafter declared or paid on the ordinary share capital of the Company. The Company has created warrants carrying rights, exercisable during the period of 28 days prior to 31st August in any of the years 1986 to 1995, to subscribe for a total of 1,400,000 further ordinary shares. Holders of the convertible stock will (subject as provided in the trust deed to constitute the convertible stock) be entitled to convert such convertible stock at the rate of one ordinary share for every 105p nominal of convertible stock. Subject as aforesaid the conversion rights may be exercised during the month of August in any of the years 1988 to 2000 and the redemption date will be 30th September, 2000.

8 Availability of offer for sale documents and separate application forms
Copies of the offer for sale documents and separate application forms
compliance with The Stock Exchange (Listing) Regulations 1984, and of separate application forms are available, free of charge, at:

Noble Gressart Limited 48 Queen Street, Edinburgh EH2 3NR and 17 Lincoln's Inn Fields, London WC2A 3ED

Kitcet & Aitken The Stock Exchange London ECZN 1HE

and at the following effices of Barciays Bank PEC
114 Fenchusch Street, London ECSP 3HY
90 St Viscent Street, Glasgow G2 5UO
63 Colmord Row, Binningham B3 2BY
17 York Street, Manchester M60 2AU
37 Park Row, Leeds LSI 1HS
40 Corn Street, Brissol BS99 7AJ

In addition, copies of the offer for sale document will be available at The Stock Exchange, Company Announcements Office, London EC2N IMA. It is also intended to publish the offer for sale document in full in the Financial Times and The Scotsman on Monday, 18th March, 1985.

APPLICATION FORM THE APPLICATION LIST FOR THE UNITS NOW OFFERED FOR SALE WILL OPEN AT 10 A.M. ON THURSDAY, 21st MARCH. 1985 AND MAY BE CLOSED AT ANY TIME THEREAFTER. This application form when completed must be forwarded or hunded in to Barchays Bank PLC, New Issues Department, P.O. Box 123, Fleetway House, 25 Furringdon Street, London. ECAA 481D, together with a cheque bankers' draft for the full amount payable, so as to be received not later than 10 a.m. on Thursday, 21st March, 1925. Photostat copies of application forms will not be accepted. A separate chaque or bunkers' draft must accompany each application form. Full details of the application procedure are set out above.

> **PLANTATION** TRUST COMPANY plc (Registered in England under the Companies Act 1948 to 1981 number 1893940)

Offer for Sale by

**Noble Grossart Limited** of 1,400,000 units (each unit comprising five ordinary shares, one warrant and £2.50 nominal of convertible stock) at £7.25 per unit payable in full on application \*\*Amount enclosed at £7.25 per unit

Stamp of recognised bank or stockbroker claiming or

"Applications must be for a minimum of 10 units (each unit comprising five ordinary shares, one warrant and £2.50 somainal of convertible stock) in The Plantation Firms of Company pic (referred to in this application form as "works") or the following multiples of anis: multiples of 50 units from 10 units up to 100 units. thereafter in multiples of 50 units from 10 units up to 100 units. thereafter in multiples of 50 units from 10 units up to 100 units. for the following multiples of brits: mu To: NOBLE GROSSART LIMITED FOR OFFICE USE ONLY

Te: NOBLE GROSSART LIMITED

I'We enclose a chequefosations draft payable to "Barclays Bank PLC" for the abovementioned sam", being the full appoint payable on application at 27.25 per unit for
the above stated number" of units, and five apply to purchase that number of units.

I'We hereby undertake and agree to accept the same, or any lesser number of units in
respect of which this application may be accepted, upon the terms of your offer for
sale document dated 13th March, 1983 and subject to the memorandom and articles
of association of The Plantation Trust Company ple ("the Company"). I'We hereby
authorise you to send melves a fully peak renormorable letter of acceptance for the
number of units in respect of which this application is accepted and/or a cheque for
any moneys returnable to melve by ordinary first class post at mylour risk, to the
address first given below and to procure mylour mane(s) ho be placed on the tegisters
of the Company as holder(s) of the said units to lar as they have not been effectively
remounced.

remounced.

In consideration of Noble Grospart Limited agreeing that it will not, prior to 26th March, 1985, sell any musts the subject of the Offer for Sale to any person other than by one of the procedures referred to therein. I/we agree that this application shall be irrevocable until 26th March, 1985 and that this pengarph shall constitute a collateral contract between meas and Noble Grospart Limited which shall become binding spont despatch by post or delivery of this application form to Barchys Bank PLC. New Issues Department, P.O. Box 123 Fleerway House, 25 Farringdom Street, London ECA 4HD, duly completed.

I/We declare that due completion and defivery of this application form, accompanied by a choque/banker's draft, constitutes an undertaking that such cheque/banker's draft will be honoured on linst presentation. I/We acknowledge that any letter of acceptance and any moneys returnable may be held pending clearance of applicants' cheques and/or bankers' drafts.

...March. 1985.

Forestanc(s) (in full)...

(Mr., Mrs., Miss, or Title)

6. Return cheque No. Picase use BLOCK CAPITALS OR TYPE FOR NAMES AND ADDRESSES.
ALL JOINT APPLICANTS
MIST SIGN AND GIVE
NAMES AND ADDRESSES
BRLOW. In the case of a
comporation this form should be corporation this form should be signed by a doly authorised officer who should state ha-representative capacity. If this form is signed by power of attorney, such power of attorney or a duly certified copy thereof

Amount payable on mits accepted

	_ 35 mm	
F	Address	Surfact
CABITA	3. Signature	Post Code
	4. Signature	Post Code
	Forceame(s) (in full)	Servere

Post Code

(Mr., Mrs., Miss or Title)

Post Code. NO RECEIPT WILL BE ISSUED FOR THE PAYMENT ON APPLICATION, but an acknowledgement will be forwarded through the post in due course, at the risk of the applicant(s), in the form of a fully paid renounceable letter of acceptance for all the units applied for; or in the form of a fully paid renounceable letter of acceptance for units applied for and accepted and a chaque for any surplus application moneys, or by the return through the post of the application moneys.

#### NOTICE OF REDEMPTION

To the holder of noces payable in United States Dollars of the Issue designated SANDVIK AKTIEBOLAG US\$30,000,000—sinking fund debentures 91/2% due April 15, 1986 ninth redemption instalment of US\$6,500,000—due April 15, 1985

Public notice is hereby given that SANDVIK AKTIEBOLAG intends to and will redeem for mandatory redemption purposes on April 15, 1985 pursuant to the provisions of section 4 of the notes an amount of US\$6,500,000—of which US\$1,299,000 has been repurchased by the Company in the open market, the balance i.e. US\$5,201,000 has been drawn by loc.

5,201 bonds of US\$1,000—hominal value are called on April 15, 1985 at 100% of principal amount plus accrued interest payable at US\$95.00 per coupon.

New York; Bank of America N.T. & S.A., Paris, Dresdner Bank A.G., Frankfurt; Svenska Handelsbanken, Skockholm; Skandinaviska Ensk da Banken, Stockholm: Credic Suisse, Zurich, On/or after April 15, 1985 interest on sald notes will cease to accrue. The said notes should be presented and surrendered at the offices set forth in the preceding paragraph with coupon due April 15, 1986 attached. SANDVIK AKTIEBOLAG

Luxembourg, March 18, 1985

By Bank of America Int'l.

**APPOINTMENTS** 

#### Executive change at NEI Parsons

Mr Richard H. Mandslay has been nominated managing director of NEI PARSONS, the trading company of NEI specialising in large turbine generators for nuclear and fossifired power stations. He takes up the post on May 1, in succession to Dr R. Hawley, who was recently appointed to the NEI board. Mr Mandslay joined Parsons Peebles of Edinburgh as a systems analyst and later moved to Reyrolle Belmos (an associated company). He returned to Parsons Peebles in 1972 as systems and programming manager, and in 1974 became production manager of Parsons Peebles Power Transformers. In 1978, following the merger which created NEI, he moved to Mexico to found and coverage as general manager a

ons Peebles de Mexico. Joining the partnership of WATSON. FARLEY AND WILLIAMS are Mr Geoffrey Wynne and Mr Neil Cuthbert. They were head and deputy head of the Royal Bank of Canada legal department in

Mr Walter Jewitt and Mr Berverley Ditcham have been appointed directors of the TALBEX GROUP. Mr Jewitt has TALBEX GROUP. Mr Jewitt has been managing director of the company's principal operating division, Osmond Aerosol since 1965. Mr Ditcham has been chairman of Osmond Aerosol for the past two years. Both retain their current positions. Mr Peter Neill, has resigned as a director of the group. Wr David Green of the group. Mr David Green remains group executive chair-

Mr R. P. Good has been appointed a director of NEW COURT AMERICAN PROPERTY FUND MANAGERS, the company managing N. M. Rothschild's property unit trust for pension funds and charities. Mr Good is investments manager of

Thorn EMI Pension Trust.

C. E. HEATH has appointed as additional directors Mr P. W. J. Duffield, a partner of Travers

VAUX GROUP has appointed Mr Charles Tidbury as a non-executive director. He recently retired as chairman of Whitbread and Co., but remains a director of that company. Mr Tidbury is also a director of

Barclays Bank, Nabisco Group, Boddington's Breweries and Marston Thompson and Ever-

Mr James Burton has been appointed managing director of SOUND ATTENUATORS, leading subsidiary in the Salex International group. He was director of Compair Industrial and managing director of Reavell, Ipswich.

Ipswich.

GOOD RELATIONS GROUP
has appointed Mr Peter Gorley
director of management
development from April 22. He
joins from Hay-MSL Management Consultants Group.

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At PRINTONIC GROUP Mr

At RENTOKIL GROUP Mr

At RENTOKIL GROUP Mr. Michael Gibbes, previously general manager of the UK pest control division, has been appointed regional managing director of the Group's Region 2 being responsible for all Rentokil operations in Germany, France, Switzerland, Spain, Greece, Austria and Italy. Mr. Bryn. Hodson, previously regional manager of UK nest merger which created NEI, he moved to Mexico to found and operate as general manager a new jointly-owned company known as Transformadores Parsons Pachlas do Marian Breece, Austria and Italy. Mr.
Bryn Hodson, previously
regional manager of UK pest
control is appointed general
manager Asia, and also has
responsibility for UK property
and vehicles.

and vehicles.

ERNST & WHINNEY has appointed as partners in the firm's London practice Mr. Christopher Bishop, who will merge his practice in Ashford, Kent. with that of Ernst & Whinney, Mr. David Essex, who has been financial controller of British Aerospace since 1982, and Mr. Michael Harding, who will move to the London office from Frankfurt. from Frankfurt.

Mr Richard Robinson has been appointed managing director of LEIGH PAGE MANAGEMENT. LEIGH PAGE MANAGEMENT,
Michael Page Partnership's UK,
financial recruitment company.
He joined the company in 1979
and succeeds Mr William
McGregor who becomes chairman and chief executive, of
the newly-acquired Grosvenor
Stewart.

Mr R. A. S. Macdonald has joined BLACKWOOD HODGE as group finance director. He was director of finance, International

Mr Alan Watson has been appointed deputy chairman of STERLING PUBLIC RELATIONS. He was rhist executive of Charles Barker City from 1980 to 1983. He resigned in 1983 to fight the general elec-

tion and has since built up his own consultancy. He has now relinquished a non-executive directorship of Charles Barker City. He is this year's president of the Liberal Party.

Mr Monty Ryans, founder of Derwent Publications, has been appointed to the board of INTERNATIONAL THOMSON ORGANISATION. From April 1 he will become non-executive thairman of Derwent and will be succeeded as chief executive by Mr Paul Hant, currently managing director.

ROCKWARE GROUP has appointed Mr Richard N. D. Langdon to the group board as a non-executive director. Mr

a hon-executive director. An Langdon, who retired recently as senior partner from Spicer & Pegler, is currently chairman of Time Products. First National Finance Corporation, Industrial Parker Holdings, Finlay Packaging and Hammond & Champhess. Mr Anthony (W. A.) Cooper has been appointed an assistant general manager at MIDLAND BANK INTERNATIONAL and an executive director of Midland Bank Group International Trade Services, with responsibility for the Midland International Trade Services companies. Mr Thomas Robson: has been appointed an assistant general manager, with responsibility for trade and export finance. Mr Africa (G. A.) Robinson has been appointed corporate finance director, with responsibility for herospate in succession to Mr Cooper. He rejoins Midland from Airbus Industrie, Paris where he was tales finance director.

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finance director. Mr Norman Bainbridge, deputy managing director of Willshier Northern, has been elected the new president of the northern region of the BRITISH EMPLOYERS' CONFEDERATION. Mr Jeffrey C. W. Wright has been appointed an associate director of STEEL BURRILL

Mr Ramsay Johnson, formely property development manager of Fine Fare in Scotland, has

CROTHALL & CO, hospital support services specialist in Pritchard Services Group, has appointed Mr Allan Ward as managing director. He has been with the group for seven years.

#### week's financial diary

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not aiways available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

aberson Zockonia ter Competer (INTEREST PAYMENTS— DIVIDEND 6 INTEREST PAYMENTS— Topke 100 Engliseering 12 (IRCOT Contract Competer 12 OFF NV Ctd 18 Competer Contract Competer 12 Ctd NX 1956 \$228.73 Secondapor Handelshanton AS DK15 INDERTISE TREETO SA \$320.32 Heavitree Brawery, Imper 11.30
BOARD MEETINGS— Floate: Cambridge and Elec Ind Sign of Man Enterprises (CA Drilling and Elec inds

DIVIDEND & INTEREST PAYMENTS-

From 7 typethesia 2003-08 3.75m 21250 Index-Linked 2001 £1.4228

# CADBURY SCHWEPPES Public Limited Company [incorporated in England with limited liability)

US\$80,000,000 8 per cent. Convertible Bonds 2000

ISSUE PRICE 100 per cent.

Morgan Stanley International

Cleinwort, Benson Limited

Credit Suisse First Boston Limited Swiss Bank Corporation International Limited

Algemene Bank Nederland N.V. Credit Lyonnais Lehman Brothers International, Inc. Morgan Guaranty Ltd

Orion Royal Bank Limited

Banque Nationale de Paris Deutsche Bank Aktiengesellschaft Samuel Montagu & Co. Limited

Union Bank of Switzerland (Securities) Limited Application has been made to the Council of The Stock Exchange in London for the Bonds, in the denomination of US\$5,000, to be admitted to the Official List.

A description of the terms and conditions of the Bonds is available in the statistical services of Extel Statistical Services Limited. Listing particulars of the Bonds may be obtained during usual business hours up to and including 20th March 1985 from the Company Announcements Office of The Stock Exchange and up to and including 1st April 1985 from:-

Cadbury Schweppes Public Limited Company 1-4 Connaught Place London W2 2EX

Bankers Trust Compan Dashwood House 69 Old Broad Street London EC2P 2EE 18th March 1985

Kleinwort, Benson Limited 20 Fenchurch Street London EC3P 3DB

Nomura International Limited

Hoare Govett Limite Heron House 319/325 High Holborn London WC1V 7BP

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#### THE WEEK IN THE COURTS

#### Acting as umpire over the right to play rugby

TEINGS matter more in a land of Anglo-Saxon attitudes than ball games. It comes, therefore as no surprise to find.

It comes, therefore as no surprise to find.

It comes, therefore as no surprise to find. a Lord Justice of Appeal saying that litigation about the right to play a game of rugby football on a public recreation ground raises a point of fundamental importance and a con-flict between two principles of a democratic society. But

members of the Leicester City
Rugby Football Club. On
August 21, 1984 the council
suspended for 12 months the club's licence to use the city's Welford Road recreation ground. Six of the club's members decided to test the legality of the ban. On September 27, 1984 Mr Justice Forbes rejected their claim that the ban was

#### Knockout blow

Last week, on March 14, in Wheeler and Others v Leicester City Council (Times Law Report March 15, 1985) the Court of Appeal upheld the judge's ruling, by a majority of two to one.

The matter does not end The six members have been granted leave to appeal to the House of Lords. Time alone will tell whether on that occasion they will suffer a knockout blow or will score a winning try.

Commoras: Until 7 pm, debate on a motion on EEC proposeds, for the 1985-86 CAP prices. Attendance that the Nettonal Health Service (Ganeral Medical and Pharmacoutical Services) Attendment Regulations for England and Wales and also for Scot-land.

Pharmacoutical Services (Scotland) fied classes of Information whose grants Advisory Service (Room 6, Amendment Regulations 1985, together wrongful disclosures would cause land. of the Home Office. Witness: UK Immigrants Advisory Service (Room 6, 4.15 pm).

Environment — Subject: Radioactive with a motion that the House, while secreting the need for further sevings wasts. Witness: Cantral Electricity in the NHS drugs bill, deplores the decision to deny general practitioners the Tressury and Civil Service—Subject: Long-term trands in resources and public to prescribe the medicines which they think most suitable for their patients.

Lorde: Reserve Isinces (Safeguard of Employment) Bill, Chimmittés. Ship-building Bill, Third Reuding, Immobilisation of Vehicles Illegally Perked (London Boroughs of Westminster and Kensington and Chelses) Continuation Order 1985, Motion for approvel. Local Government (Choice of Electoral Systems) Bill. Committee. Road Reces (Northern Ireland) Order 1977 (Amendment) Bill. Second Réading. Licensing (Amendment) Bill. Committee. Pneumo-cohicais. Byselfoxis and Miscellaneous Diseases Benefit (Amendment) Schame, 1985, Motion for approval. Unstarted questions on the steps the government are taking to prevent and control the spread of the disease AIDS.

Select Committees: Home Affairs: Sub-

Select Committees: Home Affairs: Sub-committe on Rece Relations and Immi-ration. Subject: The work of the mmigration and Nationality Department

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The background to the ban was the council's firm opposition to sporting contacts with South Africa so long as the policies and practices of apartheid prevail there. Among the citizens of Leicester are members of ethnic communities to whom apartheid is apportent.

The dispute which gave rise to that remark is between the Leleester City Council and some of the English Rugby Football Three of the club's members

The council requested the The council requested me club to urge the union and those members to cancel the tour. The club replied that despite its hatred of apartheid, it would neither condemn the tour nor discourage its mem-bers from taking part in it. The club's attitude was that each individual member had a per-sonal choice where and when to play rugger.

These are issues which it is appropriate to consider and discuss this week — a week in which local authorities up and down the country intend to devote to action against apar-theid. But to what extent are court proceedings a suitable method of examining and debating such complicated and controversial matters?

What made the council decide evidence as the parties to the securing that their various conscience enjoyed by every

lic expenditure. Wirnesses: British Medical Association: The King's Fund (Room 15, 4.30 pm).

...Public Accounts—Subject: National Health Service supplies and the Pharma-ceutical Price Regulation Schemes, Wit-ness: Sir Kenneth Stowe, Permental Secretary, DHSS (Room 16, 4.45 ptn).

TOMORROW

Neither the legal system nor the legal framework of rules and remedies nor the legal cast of mind of judges, counsel and solicitors are designed for the cut and thrust of sophisticated political inquiry, polemics and debate.

#### Discretion

The issues which were under consideration in the Queen's Bench Divisional Court and the Court of Appeal were different. Had the Leicester council legal power as a local authority to-ban the club from using a public recreation ground?

If the council had the power, did it with a discretion conforming with legal rules for the step in exercise of a discretion? In policy. the exercise of its discretion, did it take into account all relevant matters, or did it consider any irrelevant matter? Was the council's decision to ban the club an exercise of discretion which no reasonable council considering in the proper manner all relevant factors would ever have supported?

The council rested its case In this country, a judge acts as umpire in a contest conducted on each of the opposing sides by advocates. He has to be the duty of every local created a dangerous risk to such authority to make appropriate fundamental freedoms as the on the provisions of section 71 body's current views on some sides by advocates. He has to be the duty of every local created a dangerous risk to such declare and find the relevant authority to make appropriate fundamental freedoms as the facts on the basis of such arrangements with a view to right to freedom of speech and

Select Committee: Education, Science and the Arts—Subject: Achievement in primary schools. Witness: The Society of Education Officera (Room 19.

Joint Committee — Perition against Okehampton By-Pass. Special Procedural Orders (Room 3, 10 am).

WEDNESDAY

ns: Continuation of the Budget

crimination; and (b) to promote equality of opportunity, and good relations, between persons of different racial groups,

One of the council's functions was to manage the Welford Road Recreation Ground. The club was an important local institution. A firm stand on relations with South Africa was likely to encourage rather than deter good relations among the all sporting links with South city's different ethnic groups. Africa, the council could not be The club's refusal to discourage its members from taking part in a South African tour was likely to weaken rather than to strengthen their relations. The argument for the council was that a temporary ban on the club from using the public recreation ground was a lawful step in support of a reasonable

The minority opinion in the Court of Appeal, expressed by Lord Justice Browne-Wilkinson In imposing it, the council took matters. A general power con-fered on an elected public body to administer public property or money could not be used fully to punish those who declined to support that public

Road Treffic (Eyesight Requirement for Drivers) Bill. Second Reading.
Select Committees: Foreign Affairs—
Subject: Famine in Africs. Witnesses:
Overseas Development Administration
officials (Room 8, 10.30 sm).

Defence—Subject: Defence commit-ments and resources. Witnesses: Pro-lessor J. R. Small, Heriot-Watt Univer-sity: Dr Gavin Kennedy: David Green-wood. Aberdeen University: Dr Ron Smith, Birkbeck College, London (Room 15, 10,50 cm).

Energy—Subject: UK gas depletion colicy. Witnesses: Professor Colin colingon; Mr Michael Posner. (Room

The Court of Appeal's majority opinion, expressed by Lord Justice Ackner and Sir George Waller, was that, irrespective of the merits of the two different points of view concerning the value of cutting Africa, the council could not be regarded as acting unreasonably or perversely in imposing the ban. The ban was within the council's legal powers.

#### Ban on club

Neither the majority nor the minority opinion seems entirely satisfactory. A ban against a private club on the use of a municipal sports-ground is arguably neither an infringe-ment of any fundamental freedom of speech and conscience nor an appropriate arrangement to promote good relations between persons of different racial groups living in the parti-cular municipality. This may be a result of the dispute taking a different form during court proceedings than beforehand, because the previous basis is not susceptible to court proceedings in the present state of accurate diagnosis of the situashould be taken to remedy it.

Justinian

A. Wilson, FCA (Room 6, 2.30 pm), Employment—Subject: The training young people for employe CBI (Room 8, 4.15 pm). Transport—Subject: Marine Pilotage Wundeses: Trinity House, and th General Council of British Shipping (Room 17, 4.15 pm).

(Room 17, 4-15 pm).
Unopposed Bills—Valerie Mary Hill and Alan Mork (Marriage Enabling) Bill. South Yorkshire Passenger Transport Bill: Royal Bank of Scotland Bill (Room 9, 4 pm).
Joint Committes — Petition against Okehampton By-Pass: Spacial Procedure Orders (Room 3, 10.30 am).

debets.
Lords: Reserve Forces (Sefeguard of Employment) Bill, Third Reading. Insolvency Bill, Committee.
Select Committee.—Joint Committee.—Patition against Okehampton By-Pass: Special Procedures Orders (Room 3, 10.30 am).

FRIDAY

BUILDING CONTRACTS

#### £24m Norwegian oil plant order

tion of six underground storage caverns for the new crude oil is a long way underground. The terminal at Mongstad, Norway. tions Act 1971 contained no terminal at Mongstad, Norway. terminal at Mongstad, Norway. The caverns are either and or express words or provisions restricting or destroying those freedoms.

The Court of Appeal's majority opinion, expressed by Lord Justice Ackner and Sir terminal at Mongstad, Norway. The caverns are either and of the caverns will be tunnelled to the refinery with a total of 33 metres and a width of 18 wolume of 1.3m cu metres. In metres. The caverns are all beconnection with the upgrading low sea level, about 50 metres and expansion of the refinery, it will also be necessary to tunnel of the terminal is to gain the caverns are either and or the caverns are caverns

Statoil has signed a contract Mongstad is built in parallei with the Norwegian company with the upgrading and expan-ASTRUP HOEYER for construcaccess pipelines and a metering station, most of the construction four storage caverns with a greater market flexibility in the combined volume of 40,000 cu metres. The contract is worth around NKr 205m (£24m). The crude oil terminal at to be in operation early in 1988.

#### £18m work for Willett

age and this development will a single-storey warehouse with include a community hall, play centre, doctors' surgery and cillingham Business Park for beitful station, for handover in Groevenor Developments, is

Willett has two contracts for Trafalgar House.

HIGGS AND HILL NORTHERN and 18 in Northamptonshire, has started work on its £12.8m under a £5.6m contract from contract with the North West Northampton Council. Regional Health Authority as Works starts shortly and is schepart of the £18m redevelopment duled for completion in five scheme for Oldnam General months. Other projects include Hospital, Greater Manchester. The development comprises four House, Newcastle-upon-Type, for the actions of the first transportation. three-storey blocks providing British Telecom (£1.1m); fount to create a clean room v 300 new beds, seven operating dations work and ancillary an existing building at theatres and other new patient offices at Ketton Cement Bag-cester in Northampton. Be services. Ground floor facilities ging Works, Ketton, for Fairport Beatty is part of the planmacy, occupational therapy contracts. pharmacy, occupational therapy and accident emergency services. Phase I of the redevelopment is due for completion in early 1988. The new blocks at Oldham are designed to interlink with future phases of the development and pitched roofs of natural slate will be used to blend with exist-

Work on the M1 heads contracts, together worth nearly £10m has been awarded to TARMAC CON-STRUCTION. It will reconstruct the southbound carriageway of the ML between junctions 16

WILLETT has been awarded a series of construction contracts which together are worth film.

Two multi-million supermarket projects for Sainsbury's head the list. In Chichester, the company is building a single level store complete with parking for 450 cars, access roads and a new sion and refurbishment proroundabout, for completion in late 1985. The second superstore is under construction in Steveniage and this development will assign a single-storey warehouse with Grovenor Developments, is worth £682,000, for completion in

Another supermarket contract has been placed by Tarmac 55 weeks. Finally, a £m proshopers. The refurbishment feet is to begin shortly for the construction of a store superstructure in Ashford, Keot, at a cost of £1.2m due for completion before the end of the year. A £640,000 DIY and garden centre is to be built in Bolton for NFC Properties. Demolition of buildings on the Manchester Road site has started.

Willett has two contracts for the shortly for the shoppers. The refurbishment includes closing in the entrances to the building, replacing the construction in mise inconvenience to the shoppers. The refurbishment includes closing in the entrances to the building, replacing the clayer Road is fabric of the walls and floor, replacing the didning will replace existing concrete and brickwork, new windows will be installed and the roof will be renewed. Willett is a member of Trollope and Colls a contract, valued at £1.5m, by Holdings, UK building division of Trafalgar House.

Engineering (£305,000); and two contracts, together worth £292,000, for foundation work at South Killingholme, South Humberside, for Conoco. On Merseyside three contracts have been awarded to Tarmac Cubitts, part to four blocks of four-storey unoccupied maisonettes at Alamein Gardens, Stone, near main involves side three tourned agrant Cubitts, part of Tarmac Construction. The largest, valued at fi.lm, is for foundations and ancillary works at Bibby Edible Oils, Bootle, for Wimpey Engineering. The others wimpey Engineering. The others and 36 one-bedroom and studio flats and includes upgrading of refurbishment of offices at Port Sunlight, for Lever Brothers (£200,000).

#### Bryant construction

New Building Refurbishment Infrastructure 021-704 5111

Solihull-Bracknell

#### £18m projects for John Laing Group

Two contracts, together worth more than £18m, have been won by the JOHN LAING GROUP. The Midland region of the company is to build a £145m surgical block at Stoke City General Hospital. This will include 357 beds, eight operating theatres, six X-ray rooms and a children's day care unit. It will be built day care unit. It will be built adjacent to the existing hospital in Hilton Road, Newcastle-underlyme, Laing Management Contracting has a £3.5m contract for refurb'shment work at the Queensmere Shopping Centre in High Street, Slough, which will be carried out largely outside normal shopping hours to minimise inconvenience to the shoppers. The refurbishment includes closing in the entrances to the building, replacing the

BALFOUR BEATTY CON-STRUCTION has been awarded a contract, valued at £1.5m, by Milton Keynes Development Corporation, for the construc-tion of 600 metres of single carriageway road, including a three-span bridge over a canal. The contract, known as CMV Road, Bletcham Way (Bond Avenue-AS), Milton Keynes, is due for completion in May 1986. A £48,000 contract has also been awarded by Plessey Microwave to create a clean room within Beatty is part of the BICC

refurbishment of two shops at Crosby, for J. Sainsbury (£228,000); and alterations and refurbishment of offices at Port Sunlight, for Lever Brothers

and 30 one-detroin and includes upgrading of fats and includes upgrading of exterior, replacement of windows, addition of pitched roofs and installation of central heating.

#### Commons: The Budget statement. Opposed private business after 7 pm. Lords: Trustee Savings Bank Bifl, Committee. National Hortrage (Scottand) Bill, Third Reading. Prayer to snoul the MHS (General Medical and Phermacoutical Services) Amendment Regulations and NHS (General Medical and Lords: Debate on a motion calling on the Government to Introduce legisla-tion repealing section 2 of the Official Secrets Act 1911 and replacing it with a measure which would protect speci-Treasury and Civil Service Sub Com-mittee—Subject: Head of the govern-Contracts and Tenders

#### THE REPUBLIC OF CAMEROON

CALL FOR INTERNATIONAL TENDERS FOR THE CONSTRUCTION OF

The Ministry of Computer Science and Public Contracts announces an international call for tenders for the construction of the civil works of the Mape reservoir dam and control works, situated 70 km north of Foumban.

and control works, situated 70 km north of Foumban.

The financing of the project is being arranged with the following organisations:

— La Caisse Centrale de Cooperation Economique (C.C.C.E.)

— La Banque Européenne d'investissement (B.E.I.)

— The Government of the Republic of Cameroon

The tenderer shall submit a tender in accordance with all the requirements of the participating financial institutions mentioned above.

The works have been divided into two lots:

Lot 1A

(a) A concrete structure incorporating a spillway and control works of some 40m in overall height with sector gates both in the lower outlets and the upper sluices. The works also include the two concrete wing walls for the connection to the earthfilled dam.

The quantity of concrete is in the order of 30 000m<sup>3</sup>.

(b) A head race canal of some 1 060m in length and 15m in width at the base.

Excavation quantities are in the order of 640 000m<sup>3</sup>.

(c) A tal race canal of some 1 250m in length and 25m at the base.

Excavation quantities are in the order of 910 000m<sup>3</sup>.

Lot 1B

(a) A main earthfilled dam of some 1521m in length and with a 35m maximum height.

(b) Seven auxiliary earthfilled dams totalling some 2 092m in length with a height varying from 1m to 7m.

The total volume of the embankments is in the order of 3 800 000ms.

The project's main target dates are the following: height.

Contract award

Works start up on site
River cut off and diversion of the Mape
Partial impounding of the reservoir to elevation 710
Works completed, ready to impound to 715.5

November 1st 1985 December 1st 1986 July 1st 1988

The works lots are distinct and can be awarded together or separately. However, lot 1A is reserved for individuals, firms, companies, corporations or ventures originating in the "franc zone": this part being financed by

C.C.C.E."
The tenderers being selected for one and/or the other lot will have to constitute, before the final award, a joint venture or otherwise, jointly and severally liable for the two lots.

Call for the tender do Contracto Direction in Vaccada invadable of the selection.

Call for the tender documents can be consulted at the Ministry of Computer Science and Public Contracts—Contracts Direction in Yaounde, immediately after release of the present communiqué and obtained on presentation of a proof of payment for the sum of 400 000 F CFA from the SONEL accountant. SONEL shall organise for the benefit of the tenderers, a field trip to the site, followed by a briefing session during the week ending April 13th 1985. The tenders either in French or English shall be forwarded to the following address:

MINISTRY OF COMPUTER SCIENCE AND PUBLIC CONTRACTS CONTRACTS DIRECTION, YAOUNDE, CAMEROON

and shall be received at 12 noon, May 15th 1985, at the latest either by registered mail with receipt or deposited against receipt.

The tenders shall be labelled as follows:

"Call for International Tenders of May the 15th 1985 for the construction of the "Call for International Tenders of May the 15th 1985 for the construction of the Mape reservoir dam and control works—Lot 1 Civil Engineering "—to be opened only in a tendering opening session.

only in a tendering opening session.

The bid openings shall take place in the Conference Room of the Ministry of Computer Science and Public Contracts National Commission in closed session.

#### CONTRACTS AND TENDERS ADVERTISING APPEARS EVERY MONDAY

The rate is £35.50 per single column centimetre

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#### INVITATION TO FINANCE NPC SUEZREFINERY PROJECT

A 125000 BSD topping refinery project in the engineering stage, ENPP on behalf of Nash Petroleum Company, is inviting banks and financial institutions interested in financing the project to address their inquiries to Farid Abo El-Dahab, Enppi, Tix No. 93258 Enppi UN. Mail address is P.O. Box 2521, El-Horrya, Heliopolis, Cairo, Egypt.

Project-Line credit financing is desired for the project to permit the procurement of engineered equipment and bulk materials from Japan and European countries prepared to finance the project. Engineering, procurement, construction, and project management are performed by a consortium of Enppi and Petrojet, both are Egpc companies.

A leading international investment group requires an investment Banking Associate for its Japan Desk, based in London.

Responsibilities include preparation of financing proposals to Japanese client; execution of transactions related thereto and client securities companies.

Appointments 4 6 1

INVESTMENT BANKING

The position requires familiarity with Japan and Japanese business institutions and at least six years' experience in investment banking in the U.S.A. as well as Japan. The successful applicant should be educated to degree standard, be a native English speaker fluent in Japanese (both speaking and reading); be able to perceive opportunities in capital markets, creatively match these with the financing requirements and objectives of Japanese clients and communicate these ideas to clients and to other members of the Japan business team in Tokyo and New York. Salary negotiable.

If you are in your early 30's, have the necessary qualifications and experience, please write in confidence enclosing full curriculum vitae to:

Box A8939, Financial Times, 10 Cannon Street London EC4P 4BY

#### REORGANISATION AND PRIVATISATION OF THE NATIONAL BUS COMPANY:

#### Appointment of Advisers

(1) The Rt Hon Nicholas Ridley MP. Secretary of State for Transport, is considering the appointment of advisers to the Department in connection with the proposed reorganisation and privatisation of the operations of the National Bus Company (NBC), for which powers are being sought in the Transport Bill now before Parliament.

(NBC), for which powers are being sought in the Transport Bill now before Parliament.

(2) Advice will be required for the Government's consideration of the NBC Board's proposals on the following matters:

(a) the preparation of NBC's local companies to compete fairly with each other and with other operators on deregulation of the bus industry. The Bill provides that deregulation should take place on 1 October 1986;

(b) the programme for the transfer of NBC's operations to the private sector in accordance with its main objective and duties under the Bill. The main objective will be to promote sustained and fair competition both between NBC's own operating companies and between those companies and others; the duties are to have regard to the net value to be secured from disposals and to give employees opportunity to gain control of the operations for which they work:

(c) the disposals of individual local companies in accordance with the main objective and duties:

(d) particular issues arising from the privatisation of NBC's operations and the dissolution of the Company, including future arrangements for pensions of current and former employees and arrangements for the disposal of leases and other assets held by NBC or its subsidiary companies.

(3) Merchant Bank and other financial advisers interested in being considered for this appointment should notify the Department of Transport by 20 March 1985. The contact point is A. P. Brown, Department of Transport, Passenger Transport Directorate, Room \$17/13. 2 Marsham Street. London 5WiP 3EB (tel: 01-212)

Brown, Department of Transport, Passenger Transport Directorate, Room \$17/13, 2 Marsham Street, London SWIP 3EB (tel: 01-212 8187).

#### Personal

#### SWITZERLAND LAKE GENEVA - MOUNTAIN RESORTS

apertments with magnificent views of Lake Genova and mountains, ux. Villars, Verbier, Les Disblerets, Cheesu d'Oex neer Gstaad, Layein. Excellent opportunities for foreigners
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#### Company Notices

Clubs

#### **RIGGS NATIONAL CORPORATION** USD 60.000.000

FLOATING RATE SUBORDINATED NOTES 1996 In accordance with the provisions of the Notes, notice is hereby given that for the period March 18th 1985 to June 18th 1985 the Notes will carry a rate of interest of 913 per cent per annum with a Coupon amount of US\$250.76.

CHEMICAL BANK as Agent

Saab-Scania Aktiebolag

US\$50,000,000 8½ per cent Bonds due 15th March, 1989

Pursuent to the terms and conditions of Bonds, notice is hereby given that during the twelve-month period beginning on 15th March, 1984, the Company has purchased US\$2,500,000 principal amount of the subject Bonds in satisfaction of the Purchase Fund requirements.

As of 18th March, 1985, the principal amount of such Bonds remaining in circulation was US\$30,000,000.

For SAAB-SCANIA AKTIEBOLAG 18th March, 1985

Art Galleries

AGNEW GALLERY, 43 Old Bond St., W1. E29 6176. MODERN BRITISH WORKS OF ART until April 25. Mon.-Fri. 9.30-5.30: Thurs, septi 6.39. EVE has outlived the others because of a policy of thir play and value for money. Supper from 10-3.20 am. Disco and too musicians, glamorous hostessas, exciting soorshows, 189, Repent St. 01-734 0557.

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50,000 people in the United Kingdom suffer from progressively pa MALTIPLE SCLEROSIS — the cause and cure of which are still unknows — HELP US BRING THEM RELIEF AND HOPE.

We need your donation to enable us to continue our work for the CARE and WELFARE OF MULTIPLE SCLEROSIS sufferers and to continue our nliment to find the cause and cure of MULTIPLE SCLEROSIS through MEDICAL RESEARCH.

> Please help-send a donation today to: The Multiple Sciences Society of G.B. and N.L. 286 Munster Road Fulham, London SW6 6BE

Company with a fully-paid share Capital of 25.000 DFI. Registered Office: J. Viotastraat 52.1077 JT J. Viotastraat 52.1077 JT AMSTERDAM, The Netherlands. Comprectal Register File Number 171.329 SECOND NOTICE TO HOLDERS OF NOTES 104% 1984-1989 OF ECU 1,000 EACH QUARANTEED ON SUBORDINATED BASIS AS TO PAYMENT OF PRINCIPAL AND INTEREST BY EUROPEAN ANDING COMPANY S.A. BRUSSELS

EBCO INTERNATIONAL B.V.

porated with limited in The Netherlands

The holders of international notes 10%, 1984-1989 issued by EBCO INTERNATIONAL S.V. who were called for March 15, 1985, being unable to meet walldly for lack of quorum, are spain convened to 50. Boolevary for the same agency of frances on April 1, 1985 at 3 p.m. in one to consider the same agency as the one for the first meeting, that

as the one for the first meeting, that he had appointment of the noteholders' permanent representatives, designation of the substitute representatives.

Determination of the noteholders' representatives' powers and of the remaneration of the parmaneration between the parmaneration remains the metholders to attend or to be represented at this meeting, the notes or their deposit receipts, must be deposited at least five days before the date faced for the meeting, at the offices of the banks having parmicipated in the placing of these notes and from whom provides or admission cards can be requested.

THE MANAGING SOARD

Public Notices

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEATING OF the Society will be held in the SOCIETY'S GUARE. EDINBURGH on TAMESON. 251 T. ANDREW SOLIARE. EDINBURGH on TAMESON. 25th March 1985 at 12 moon to consider the Accounts and Balance Sheet and Reports of the Directors and the Auditor, to elect Directors, to determine the remanaration to be paid to the Directors and to re-appoint the Auditor.

A Member of the Society efficied to attend and onto at any Annual General Meeting is entitled to appoint another person to attend and vote instead of him. Fronties must be losted at the Society's head Office solt less than forty-eight hours pelore the time to holding the Meeting.

31 St. Andrew Square. D. A. BERRIDGE Edinberth.

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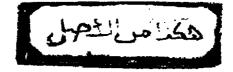
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#### AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, March 15

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#### **HAND - DELIVERY IN PARIS**



JAPAN

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#### WORLD STOCK MARKETS

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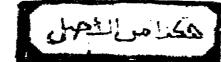
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NEW YORK ACTIVE STOCKS

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1,613,100 21% —
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K Mart ... 1,776,400
ATT ... 1,613,100 **TORONTO** 

Friday

Mar. Mar. Mar. Mar. 13 Metals & Minerals: 2914.5 2015.5 2025.7 2556.0 2554.4 (12/1/44) 2541.2 (25/7) Composite 2584.5 2585.5 2586.5 2697.6 2547.0 (6/5/85) 2079.7 (24/7) MONTREAL Portfolio 128.83 129.28 129.18 (139.54 139.77 (5/5/65) 200.86 (24/6)

Mar. Mar. Mar. 15 14 13 AUSTRALIA Ali ord. (1/1/88) Metals & Minis. (1/1/88) 784,5 476,5 AUSTRIA Credit Aktien (2/1/82) BELGIUM Brussels SE (1/1/90) 2505.2 2308.84 2310.05 2806.98 DENMARK Copanhagen SE (5/1/85) 176,69 178,19 174,44 175,08 225,2(20/1/84) 158,44 (8/1/85) FRANCE CAC General (51/12/82) Ind Tendance (26/12/84) 208.8 | 208.4(18/8/85) 155.8 (8/1/84)) 112.6 | 116.1(18/8/85) 100.0 (28/12/8 415.56 | 419.27 | 420.87 | 420.87(12/5/85): 517.17 (25/7) 1202.5 | 1214.5 | 1218.1 | 1218.1(12/5/95): 917.7 (25/7) HONG KONG Hang Seng Bank(81/7/64) 1555,76 1566,55 1556,82 1571,51 1436,17(19/2/85) 746,82 (18/7 ITALY Banca Comm Ital. (1972) 276,76 276,86 277,28 288,71(20/2/85) 192,66 (2/1/84 JAPAN\*\*\* Nikkel-Dow (18/6/42) Tokyo SE New (4/1/98) NETHERLANDS ANP CBS General (1970) ANP-CBS indust (1978) 297,9 : 286,7 165,6 : 165,7 209.7 · 208.5 · 208.7(18/5/85) 146.8 (25/7) 185.8 · 185.5 · 165.7(14/5/85) 118.7 18/6) NORWAY Osio SE (4/1/85) 519.61 320.65 526.14 527.78 345.6 (8/2/85) 221.67 (4/1/84) SINGAPORE Straits Times (1968) 841.17. 858.94 851.51 958.92 1071,9(8/2/94) 784.4 (18/1/85) SOUTH AFRICA Gold (1968) Industrial (1958) 927.7 924.8 950.9 946.6 SPAIN Madrid SE (28/12/84) 112,06 1117,41 (4/2/85) 100,00 28 12/8 SWEDEN 1457,38 1441,15 1444,17 1418,18 1584,5 (5/2/84) 1582,89 (22/11 LOODSON & P (11/58) SWITZERLAND Swiss BankCpn.(31/12/58) 423,3 428,9 428.8 438,2(15/8/85) 354,5 (25/7) WORLD Capital Intl. (1/1/70) 198,1 (4/3/85) 193,2 (14/12)

\*\* Saturday March 16: Japan Nikkel-Dow 12,487.38. TSE 998.65. Sass value of all indices are 100 sexept Australian All Ordinary and Metals—500. NYSE All Common—500 Standard and Poors—10: and Yoronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Porticito 4/1/83, Excluding bonds. ‡ 400 industrials. \$400 industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed, u Unavailable. Notice of Redemption and Termination of Conversion Rights

#### Monsanto International Finance Company

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of October 15, 1965 under which the above-designated Debentures were issued, \$1,196,000 principal amount of the said Debentures of the following designated numbers have been drawn by lot for redemption on April 15, 1985 through the operation of the Sinking Fund at the redemption price of 100% of the principal amount thereof, together with accrued interest thereon to the date fixed

of 100°s of the principal amount thereof, together with accrued interest thereon to the date fixed for rederingtion:

### 100°s of the principal amount thereof, together with accrued interest thereon to the date fixed for rederingtion:

### 140°s 1628 [1628 [1628 [176] [170] [1717 [1712] [1712] [1717] [1712] [1712] [1717] [1712] [1717] [1712] [1717] [1712] [1717] [1712] [1717]

The Debentures specified above are to be redeemed for the said Sinking Fund at the option of the holder (a) at the Receive and Deliver Windows of Chibark, N.A., 111 Wall Street—5th floor, New York, New York 10043 or (b) subject to any laws or regulations applicable thereto, at the main offices of Citibank, N.A. in Amsterdam, Brussels, Frankfurt (Main), London (Cithank House), and Paris and the main office of Krediebank Luxembourg S.A. in Luxembourg the Company's Paying Agents. Payment at the offices referred to in (b) above will be made by check drawn on, or by a transfer to a dollar account maintained by the payee with a bank in The City of New York. On the redemption date said Debentures shall become due and payable at the redemption price and on and after said date, interest on said Debentures will cease to accrue. The Debentures specified above should be presented and surrendered at the offices set forth in the preceeding paragraph on the said date contents with all interest compons maturing subsequent in the preceeding paragraph on the said date together with all interest coupons maturing subsequent to the Redemption Date. Coupons due April 15, 1985 should be detached and presented for payment in the usual manner.

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Compliance Act of 1983 unless the Paying Agent has the correct tax identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

CONVERSION OF DEBENTURES INTO COMMON STOCK

The above specified Debentures called for redemption may be converted at the option of the holder thereof at the Receive and Deliver Windows of Citiberik, N.A., in New York and at the principal offices of Citibank, N.A. in Ameterdam, Brussels, Frenkfurt (Main), London (Citibank House), and Paris and the main office of Krediethank Luxembourg S.A. in Luxembourg, into on presentation and surrender with all unmatured coupons attached, at any time until the close of business on said redemption date, at the conversion price of \$43.00 per share of Common Stock. ON SAID REDEMPTION DATE SUCH CONVERSION RIGHTS WILL TERMINATE AS TO ALL DEBENTURES BEING REDEEMED AS SPECIFIED ABOVE. Upon conversion of any Debenture, no adjustment shall be made on account of interest accrued or dividends and no fractional shares of Common Stock will be issued.

> MONSANTO INTERNATIONAL FINANCE COMPANY By: CITIBANK, N.A. as Trustee

March 15, 1985

#### The Rank Organisation Plc 41 per cent. Convertible Loan 1993

As previously announced, an adjourned meeting of Bondholders will be held on 22nd March, 1985 at 11.00 a.m. at the Royal Garden Hotel, Kensington High Street, London, W8 4PT. Full details of the proposals to be considered at this meeting are set out in an explanatory circular which is available from Rank, S.G. Warburg & Co. Ltd., and the paying agents at the addresses set out below.

If the proposals are duly approved by Bondholders on 22nd March, 1985 and implemented, the Bonds will revert to their original unsecured status, and the annual rate of interest on the Bonds will be increased from 44 per cent. to 5 per cent. with effect from that date. If the proposals are not approved by Bondholders and implemented, the Bonds will retain their present secured status and there will be no increase in the coupon.

Bondholders are strongly urged to make the arrangements necessary for their Bonds to be voted at the adjourned meeting.

The Rank Organisation-Plc 6 Community Place, London W2 2EZ, England (Td. 01-629 7454)

S.G. Warburg & Co. Ltd. 33 King Wallam Street, London EC4R 9AS, England (Tel. 01-280 2222)

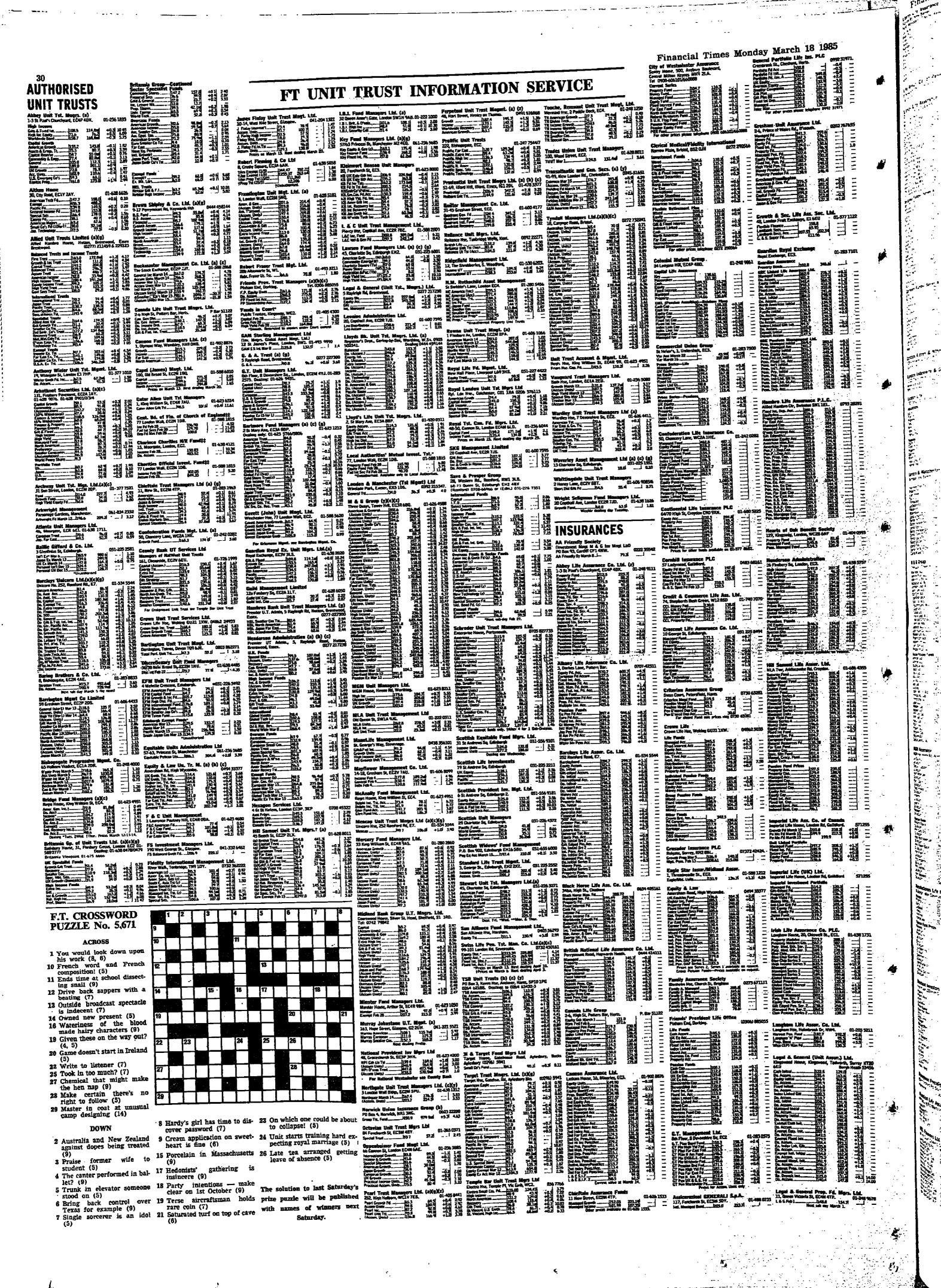
PRINCIPAL PAYING AGENT National Westminster Bank PLC, Stock Office Services, 20 Old Broad Street, London BCZN 1EJ, England (Tel. 01-638 9031)

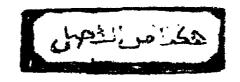
PAYING AGENTS (Tel. 212-825 6267)

Pierson, Heldring & Pierson N.V., Herengracht 214, Amsterdam, Netherlands (Tel. 020-21 11 88)

Deutsche Bank Aktiene tuttgarterstrasse 16-24 D-6236 Eschborn, West Germany (Tcl. 069-7150-3262)

ernationale à Luxembourg S.A., 2 Boulevard Royal, Luxembourg (Td. 47911)





Financial Times Monday March 18 1985 INSURANCE, OVERSEAS & MONEY FUNDS Scottish Life Investme 19 St Andrew Square, Edine OFFSHORE AND OVERSEAS OF THE PROPERTY OF THE P

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117-132 11.39 11.78 11.51 11.60 11.37 14.22 11.80 13.37 13.52 12.19 13.65 11.85 11.85 11.87 12.09 11.48 11.59 11.51 12.56 12.54 12.50 12.60 14.62 12.00 11.89 11.89 11.89 11.89 | Sends | Stack | Price | Itaak | Siv | The | Itaak | Siv | Stack | Price | Itaak | Siv | The | Itaak | Siv | The | Itaak | Siv | Stack | Price | Itaak | Siv | Si BANKS, HP & LEASING CORPORATION LOANS 98-28.9 99-2.11 1811-1.11 97-21.9 75-215.1 89-41 113-01.2 25-41.3 98-015.3 88-15.3 88-15.1 11-10.12 23-1.2 CORPORATION
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Behaven Berenery
Juny Bell (Artisur) 50p
Dec: 0n 19gc Cm 99-11.
Oct Boodengoes
Feb Brown (Matthew)
July Buckley's Brow.
Mar Banner (H P J 50
Oct Clark (Matthew)
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STERLING EXCHANGE BATE INDEX
(Bank of England)

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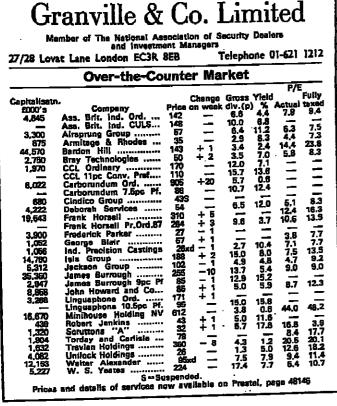
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# CURRENCIES, MONEY and CAPITAL MARKETS





#### Malayan Banking Berhad

US \$60,000,000

Negotiable Floating Rate Dollar Certificates of Deposit due 1987 Tranche A

In accordance with the provisions of the Certificates, notice is hereby given that the rate of interest for the period from 19th March 1985 to 19th June 1985 has been established at 913/16 per cent per annum.

The interest payment date will be 19th June 1985. Payment which will amount to US \$6,269.10 per Certificate, will be made against the relative

Bank of America International Limited

#### **CROSSRATE SYSTEMS**

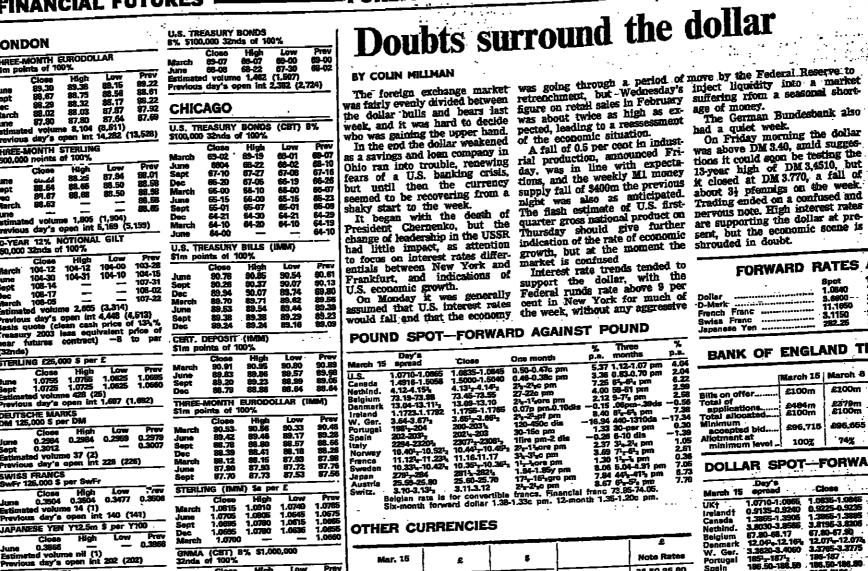
Foreign Exchange Management

Finvest S.A. 22 Avenue du Mail Telephone: 41-22-283244 Telex: 422 556 FINV CH

P.O. Box 99402 San Francisco 94109 Telephone: 415-441-6224 Telex 595974 XXXX SFO

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STERLING £25,000 \$ per £			Close 90.91	High 90.95	Low .	Prev 90.89	March 15 s	Day's pread	Close	One mon	
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SWISS FRANCS SWFr 125,000 \$ per SWFr	S	ept	87.90 87.70	87.73	87.53	87.56	Joseph 27	791 - 284 5.59-25.	281½-282 80 25.60-25.	70 174-164	gre pm σγρα
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June 131.15 131.15 130.10	129.80 E 130.25 F	Dec March	67-07 	67-1	67-06	86-0	- Librario me		7,6636-7,5930 162,67-155.84 8,4600 8,4700	142,17-145.1   7,8000-7,802	O Ital
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	March 15	change	NEW YORK	March 15	change
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and 1 Bills and 2 Bills and 3 Bills Mth. Treasury Bills Mth. Bank Bills	(T950	nuch, q	3 Mth, C D FRANKFURT Lombard One Mth, Interbank Three month	6.0 6.175 6.375	Une h'd -0,225 -0,175
Mth. Bank Bills DKYO ne month Bills hree month Bills	6,53125 6,34375	Unch'd Unch'd	PARIS Intervention Rate One Mth. Interbank Three month	10½ 10¾ 10 <del>½</del>	Unch'd
RUSSELS ne month hree month	2034 1078	+ 15	MILAN One month Three month	15 <del> }</del> 16 <del> }</del>	i∉ Unch' d
MSTERDAM ne month hree month	714 789		DUBLIN One month - Three month	1478 1454	+4



ngure on reum sales in reordary
was about twice as high as expected, leading to a reassessment of the economic situation.
A fall of 0.5 per cent in industrial production, approximent Fri.

A fall of 0.5 per cent in industrial production, approximent Fri. o was gaining the upper hand. In the end the dollar weakened tions it could soon be testing the 13-year high of DM 3,4510, but it closed at DM 3.770, a fall of about 3½ prennigs on the week. Trading ended on a confused and persons note Eigh interest rates savings and loan company in rial production, announced Frinio ran into trouble, renewing ars of a U.S. banking crisis, day, was in line with expecta-tions, and the weekly M1 money ars of a U.S. banking crisis, and the weekly M1 money that until then the currency eemed to be recovering from a baky start to the week.

It began with the death of the flash estimate of U.S. first-thange of leadership in the USSR. The flash estimate of U.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of U.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross national product on the flash estimate of tu.S. first-quarter gross nervous note. High interest rates are supporting the dollar at present, but the economic scene is shrouded in doubt. OUND SPOT—FORWARD AGAINST POUND 7. months

5.37 1.12-1.07 pm

3.35 0.83-0.70 pm

7.25 63-64 pm

-0.15 .06pm-39ds

8.40 87-63 pm

-16.94 440-1310da

-1.33 30-per pm

-0.25 6-10 dis

2.37 33-24 pm

1.30 12-5 pm

1.30 13-5 pm 13.09-13.70
1.1755-1.1765
3.65-2.0852
200-2033
2007-2036
10.440-10.45-1
11.16-11.17
10.35-10.35-2
231-2325
2313-325
60-25-70
3.11.3.12
for convertible and dollar 1.38-1 OTHER CURRENCIES 298.34 298.59 1.4540.1.4560 4.140.4.161 7,0050 7.0070 142.17.146.14 7.8000 7.8020 96.35° 0.5050 5 0815 67.80 67.90 2.6905 2.5935 2.2370 2.2520 3.6115 3.6130 2.2752 2.2758

EMS EUROPEAN CURRENCY UNIT RATES Belgian Franc ...
Danish Krone ...
German D-Mark
Franch Franc ...
Dutch Guilder...
Irish Punt ......
Italian Lira ..... 7.95199 2.22423 6.79758 2.51720 士1,1475 土1,3689 士1,5171 士1.5171 士1.6703 士4.0410

† UK and Ireland are quoted in U.S. currency. discounts apply to the U.S. dollar and not to Belgian rate is for convertible francs. Finance CURRENCY RATES CURRENCY MOVEMENTS

(base average 1975=100). EXCHANGE CROSS RATES Hatlan Lira (Canada Dol -11,17 10,31 20.08 250.4 \*\*\*\* 1,131 0.851 0,275 3,543 12,97 65.83 p. 23.60 5.708 1.529 2.790 1. 10. 3.584 0,971 French Franc 10 Swiss Franc 0,896 1,850 17.75 51.85 0,363 0,651 1.794 58,18 122,3 0,262 Putch Glider talian Lira 1000

Unfortunately dangerous substances don't always come in easily recognisable packages...



The Classification, Packaging and Labelling of Dangerous Substances Regulations 1984 come into force on January 1st 1986. With few exceptions they cover all dangerous substances when supplied or transported.

This means your current packaging and labelling needs to be reviewed now. Send for your guidance pack right away which contains the Regulations and all the instructions are packaging and labelling needs to be reviewed now. instructions you need to do the job.



Working to keep work safe. St. Hugh's House, Stanley Precinct, Bootle, Merseyside L2030Y.

#### 167.9 584.0 0.722 Canadian Dollar Relgian Franc 100 EURO-CURRENCY INTEREST RATES (Market closing rates)

#### MONEY MARKETS =

#### London suffers liquidity problem

THE LONDON money market is suffering from two problems at the moment: a severe shortage of day-to-day liquidity, and a lack of bills for the discount houses to sell to the Bank of England to relieve these shortages.

It appears that corporate customers of the clearing banks are reluctant to issue bills running for three or six months at present level for too long. These customers prefer to borrow on overdraft at the banks rather than issue paper, which the months.

Moods of euphoria are quickly of large rise of 0.5 per cent. The pound managed to shrug off news about the abolition of the pound managed to shrug of news about the abolition of the pound managed to shrug off news about the abolition of the pound managed to shrug off news about

porrow on overgraft at the banks rather than issue paper, which may look extremely expensive in a few weks time. This has led to a lack of commercial paper in the market, but does not really fit in with the general UK clearing banks base lending rate 14 per cent

since January 28 sentiment as far as interest rates

sentiment as far as interest faces are concerned.
Oil prices and the value of the dollar remain crucial to any decision on base rates. The oil market was fairly stable last week, but the dollar was volatile, with no one knowing whether the pound wil rise to \$1.20 or

#### FT LONDON INTERBANK FIXING

(11,00 a.m. March 15) Three months U.S. dollars Six months U.S. dollars

offer 10 1/4 bid 10 1/8 The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank: Bank of Tokyo, Deutsche Bank, Banque Nationale de Pana and Morgan Guaranty Trust.

48,93 100.

2,044

MONE: INITO							.,,	18 <u>18 18 18</u>	
March 15	Frankfurt	Paris	Zurich	Amst'dam	Tokys	Milan	Brussels	Dublin	
ne months	6.20-6,35 6.30-6,45 6.50-6.65 6.0	10% 10¼-30¼ 10¼-10% 10¾-10% 10¾-10% 10¾-10%	178-218 548-654 516-518	7-71g 7-8-7-8 7-8-7-8 7-8-7-8 7-8-7-9 6-1g	6.40625 6.53125 6.54675	154-161 1559-16 16-1636	105, 11	1419-1434 1414-16 1459-1478 1459-1474 1414-1418	٠.

LONDON MONEY RATES Discount Houses Deposit and Bill Rates 1365 1365 1366 138<sub>8</sub> 134 134 134 1218

	Local Auth-	Local	Finança	F Cert	SDR	Linked
	negotiable	Authority	House	of	Linked	Linked
	bonds	Deposits	Deposits	Deposits	Deposits	Deposits
one months Three months Six months Sine months One year Two years Three years Three years Three years Three years	1413-1518 1359-15 13518-1254 1279-1214	121s	14	8.65-8.95 9.1-9.8 9.3-9.4 9.9-10.0 16.45-16.65 10.9-11.0	84-9 67-94 94-94 94-94 	10 & 10 \( \) 10 \( \) 10 \( \) 10 \( \) 10 \( \) 10 \( \) 10 \( \) 10 \( \) 10 \( \) 10 \( \) 10 \( \)

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period February 6 to March 6 1985 (Inclusive): 13.883 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 127-per cent from March 1 1985. London and Scottish Clearing Bank Rates for landing 14 per cent. London Deposit Rates for sums at seven days' notice 11-17-per cent. Treasury Billie: Average tander rates of discount 13.1761 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 14 per cent; one-three months 132-per cent, three-six snorths 133-per cent six-nine months 123-per cent ine-12 months 122-per cent. Under £100,000 12 per cent from March 12. Deposits held under Series 5 127-2 per cent. The rate for all deposits withdrawn for cash 8 per cent.

NEW YORK (4 pm) Prime rate

#### **SECTION III**

#### FINANCIAL TIMES SURVEY





# International Capital Markets

#### Securities come to the fore

BY PETER MONTAGNON

International capital markets have opted for securitisation but the abundance of new instruments suggests they are still in a state of flux. Competition rages as never before with banks seeking to snatch market share, either by paring returns to the bone or by devising an increasing number of fanciful innovations.

SECURITY conscious. That is become a battleground in which perhaps the best way of describing the international capital struggling to maintain their inmarkets at the start of 1985. fluence against an up-and-coming three years of developing country debt crisis bankers are still very choosy about whom they do business with. It is also, and even more important, because of the way in which most business is now being done—through the securities bank lending.

The amounts of money intermediated through the capital markets remained very large last year, totalling no less than \$227bn, according to the Organisation for Economic Cooperation and Development (OECD). But the syndicated loan market again took a back seat to the international bond markets, where volume soared largely because of the growing popularity of the floating rate

And during 1984 a new form Euronote issuance facility, established a firm hold on

FRANCE

Banque Paribas

Entreprises Crédit Foncier de France

Crédit Lyonnais Electricité de France

Nomura Europe N.V.

Ohbayashi-Gumi, Ltd.

Oki Electric Industry Company, Limited

Sanwa International Finance Ltd.

Banque Nationale de Paris

Crédit d'Equipement des Petites et Moyennes

Société Nationale des Chemins de fer Français

phalanx of investment banks. The availability of large amounts of money to lend, once the commercial bankers' trump when their customers can raise cheaper funds elsewhere. The strength of the invest-

ment banks lies in their highly developed ability to provide just this service. By securitis-ing debt and making it nego-tiable they are able to sell it direct to investors, bypassing performed by commercial banks. This can often be done at

to borrow in the Euronote market at five basis points (hundredths of a percentage point) lower than the London interbank bid rate for Eurodollar deposits, which constitutes the actual cost of mo-to the banking system.

market share, eroding still So confident of its rating is further the power and position Norsk Hydro, the Norwegian that its finance director. Mr

deposit with banks at a profit. For commercial banks this development is nothing short of sinister. Buffetted by the developing country debt crisis they have seen their own credit-standing slip below that of some of their most soughtafter borrowers. The declining revenues of Opec countries has made it harder for them to attract deposits and they have had no choice but to cede business in the capital markets to the more efficient and sophisticated securities sector.

At its most extreme this process risks forcing commercial banks to fall back on those borrowers whose credit-rating is so low they cannot borrow in the securities market. The overall quality of their assets would then decline and with it, vicious circle, their own credit standing in the marketplace. But now, however, many of the big banks which used to dominate the syndicated loan market have realised that they have to fight back by challeng-

its syndicated loan division to permit a more flexible market-Similar, but more discreet, organisational changes have taken place at other banks such as Bank of America and Lloyds Bank International as they seek to develop and expand their expertise and placing power in the market for bonds and short-

For the new emphasis on securities business is not just a question of commercial banks ecoming atrophied. The securites business is booming for the Euroyen bond and certificate of other reasons too. More buyers are around, especially in Japan

Elsewhere the City revolution where the financial muscle of the pensions and insurance industry is huge and growing.

term securities.

Computerisation and development of the swap market has added immeasurably to the range of opportunities available. And round the world regulations are being broken make the business of issuing and

Indeed, some bankers argue that 1984 will be seen by historians as a watershed year London Tokyo New York markets. Not only did the U.S. Floating-rate finally decide to abolish with-Eurodollars holding tax on interest paid to non-residents, enabling the Treasury and other Government agencies to borrow for the first Futures Euronotes time in the Europond market Similar steps were taken other countries, such Germany and France.

Japan agreed to liberalise its own financial markets, creating new opportunities for foreign banks to do business in yen through the development of the Elsewhere the City revolution

Under pressure from the U.S.

has begun to break down traditional demarcations in London, while even conserva-tive Switzerland has agreed to let foreign banks lead bond issues and private placements denominated in Swiss Francs. Coupled with the rapid development of the swap market (in which debtors can swap

CONTINUED ON NEXT PAGE

#### CONTENTS

World Economy Interest and Exchange **Debt Crisis** Syndicated Loans Interest and Currency Swaps The Future of Libor Commercial Paper Energy Loans Yen Bonds Fixed-interest Eurodollars Sterling Bonds 14 ECU Bonds Guilders 15 Swiss Francs 15 16 Deutsche Marks Canadian Dollar

22년 第2: 4

This announcement appears as a matter of record only

#### COUNTY BANK LIMITED

Managed or Co-Managed 181 International Securities Issues in 1984 totalling US\$ 24,574,000,000 for the following issuers or guarantors:

**AUSTRALIA** Australia and New Zealand Banking Group Limited Commonwealth Bank of Australia James Hardie Industries Limited National Commercial Banking Corporation of Australia Limited

Queensland Coal Finance Limited The Rural and Industries Bank of Western Australia Westpac Banking Corporation AUSTRIA

Creditanstalt-Bankverein Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft Oesterreichische Kontrollbank Aktiengesellschaft

Arab Banking Corporation (B.S.C.) BELGIUM The Kingdom of Belgium KB Ifima N.V.

City of Vienna

CANADA Air Canada Bank of Montreal City of Vancouver Hudson's Bay Company The Municipality of Metropolitan Toronto The Royal Bank of Canada Ville de Laval Ville de Montréal

Dansk Olie & Naturgas A/S The Kingdom of Denmark The Mortgage Bank and Financial Administration Agency of the Kingdom of Denmark Sparekassen SDS

FINLAND Bank of Helsinki Ltd. Osuuspankkien Keskuspankki Oy Teollisunden Voima Oy

BFG Finance Co. B.V. Commerzbank Overseas Finance N.V. Preussag Finance B.V. **IRELAND** Ireland Banca Commerciale Italiana Finance B.V. Banca Nazionale del Lavoro Italian International Bank Plc Pirelli Financial Services Co. N.V. The Republic of Italy JAPAN All Nippon Airways Co., Ltd. The Bank of Tokyo (Curação) Holding N.V. Chuguka Electric Power Co., Inc. Dai-Ichi Kangyo Finance (Hong Kong) Limited The Hokkaido Electric Power Co., Inc. Japan Synthetic Rubber Co., Ltd. The Kansai Electric Power Company, Inc. Kansai Paint Co., Ltd. Kyowa Finance (Hong Kong) Limited The Long-Term Credit Bank of Japan Finance N.V. Marui Co. Ltd. Minebea Co., Ltd. Mitsubishi Finance (Hong Kong) Limited Mitsui Finance Asia Limited Mitsui Trust Finance (Hong Kong) Limited Nikko Securities Co., Ltd. Nippon Seiko K.K. Nippon Shinpan Co., Ltd.

Sekisni House Ltd. Sumitomo Finance (Asia) Limited Sumitomo Trust Finance (Hong Kong) Limited Taiyo Kobe Finance Hong Kong Limited Takugin International (Asia) Limited Tokai Asia Limited Tokyo Electric Co., Ltd. The Tokyo Electric Power Company, Incorporated Toyo Trust Asia Limited Yamaichi Securities Company, Limited Yasuda Trust & Finance (Hong Kong) Limited Yokohama Asia Limited KOREA Korea Exchange Bank MALAYSIA Malaysia **NEW ZEALAND** New Zealand New Zealand Forest Products Finance B.V. NZI Overseas Finance N.V. NORWAY A/S Eksportfinans SAUDI ARABIA The National Commercial Bank SPAIN Kingdom of Spain Union Electrica-Fenosa, S.A. Vizcaya International N.V. SWEDEN Forsmarks Kraftgrupp Aktiebolag Kingdom of Sweden Svenska Handelsbanken UNTTED KINGDOM Barclays Overseas Investment Company B.V. BAT International Finance p.l.c. Credit for Exports PLC Grand Metropolitan International Finance PLC Hill Samuel Group PLC Investors in Industry Group ple Lasmo North Sea PLC Lloyds Eurofinance N.V. National Westminster Finance B.V. Rank Xerox Finance (Nederland) B.V. Reed International P.L.C. Standard Chartered Finance B.V. Yorkshire International Finance B.V.

American Express Overseas Finance Company N.V. Avco Financial Services, Inc. Beatrice Companies, Inc. Beneficial Overseas Finance N.V. Borden, Inc. The Chase Manhattan Corporation Chemical New York Corporation Chrysler Financial Corporation Citicorp Person-to-Person, Inc. Comsat International N.V. The Dow Chemical Company Federal National Mortgage Association First City Bancorporation of Texas, Inc. FirstFed of Michigan International N.V. General Mills, Inc. Household Finance Corporation IBM Credit Corporation

UNITED STATES

American Brands, Inc.

IC Industries, Inc.
IU International Capital Corporation N.V. InterFirst Texas Finance N.V. International Standard Electric Corporation Illinois Power Finance Company N.V. Lincoln Savings and Loan Association Manufacturers Hanover Overseas Capital Corporation
Marine Midland Bank, N.A.

Merrill Lynch & Co., Inc. Morgan Guaranty Trust Company of New York Pacific Gas & Electric Co. Prudential Realty Securities III, Inc. Riggs National Corporation Security Pacific Overseas Finance N.V. Southeast Banking Corporation Southern California Gas Company Wells Fargo & Company

SUPRANATIONAL Asian Development Bank The Council of Europe Resettlement Fund European Economic Community European Investment Bank Inter-American Development Bank International Bank for Reconstruction and Development

#### COUNTY BANK LIMITED

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A member of the National Westminster Bank Group

The increased flow of exports from Japan and the EEC into

This process clearly cannot go

on for ever and is partly self-

imports, the squeeze on com-

ment must eventually combine

to slow the pace of U.S. growth.

The main question is whether a gentle slowing down of the

U.S. economy, with perhaps some easing of the dollar's international value, can be

achieved without a precipitant crash or damaging import

investor's confidence did cause a crash of the dollar, it is hard to see what would stop it, apart,

perhaps, from the lack of obvious havens for the money

the improved competitiveness

had time to stimulate exports.

U.S. inflationary pressures would increase as would the

difficulty of financing the Federal deficit, so there would be

upward pressure on U.S. interest rates, with probably a

rise in the dollar price of com-

developing countries with large debts denominated in dollars, but the ability of oil-producing countries to buy imports from

Europe and Japan would be diminished. A major fall of

the dollar would certainly put strong pressure on the Opec cartel with incalculable results.

of interest rates would do little to help the army of unemployed

unless the economies proved flexible enough to expand in step with the diminishing opportunities to export to the U.S. Recent history is not en-

couraging on this point.

This might be some help to

remain high.

to shelter in.

#### Pull from U.S. set to continue

#### World Economy MAX WILKINSON

MOST OF the major uncer-tainties about the world's economic prospects can be seen in deceptively simple-looking graph in the shape of an X. The upstroke shows the extra ordinary disc of the U.S. dollar,

which has appreciated with only a few minor interruptions by about 45 per cent during the last four years. The downstroke shows the rapid deterioration of the U.S.

current account of the balance of payments from a small surplus in 1981 into a deficit of \$100hm lest year. This year, the current account deficit is generally expected to rise to \$130hn, with figures of around \$150hn predicted for 1986. This means that even if the growth of the U.S. economy is halved from the 6.8 per cent achieved in 1984, American imports will continue to exert a powerful pull on the economy current account of the balance

powerful pull on the economy of the rest of the world. This is expected by most commentators to help Europe and Japan to continue to grow at a steady pace this year, with Japan achieving perhaps 5 per cent and Europe about 2; per

The Organisation for Eco-nomic Co-operation and Development (OECD) in Paris is predicting that the industrial world's average growth will settle down from about 44 per cent last year to 3 per cent this year, slowing further in the first half of 1986.

#### Consequences

Most of this slowdown would be the arithmetical consequence of more moderate expansion in the U.S. Overall, the world is expected to approach that long desired "convergence" in economic performance, with growth rates close together and annual inflation rates in most major countries only a few per-centage points either aide of

A general feeling of optimism has been fostered by the much better than expected performance of the world's economy in 1984. World trade grew by more than 9 per cent, which was far more than most forecasters had predicted, and the best per-formance for at least eight

This helped the developing countries' economies to grow by

fastest expansion since 1979.
This, combined with restraint on imports, enabled them to of the world fell from about make big strides in reducing 3 percentage points last previous decades, but easily the their current account deficits, and so reduced the threat of a world debt crisis much more than most observers had dared

All the predictions that the U.S. growth would slow down sleeply—or collapse into recession—under the growing weight of the Federal debt have been proved wrong. The slowing has been gradual, and despite widespread predictions to the con-trary, has been accompanied by nued moderate inflation.

But that puzzling upward stroke of the X remains, also defying forecasts and challenging rational explanation. A year ago, when dollar denominated interest rates were on a clearly upward trend, it was easy to argue that capital flows attracted by high relative interest rates dwarfed the depressive effect of the trade balance on the dollar's value.

Since last summer, however, there has been a marked decline in U.S. interest rates, with the three-month Certificate of Deposit rate down to around 84 per cent by the beginning of March compared with 114 per March compared with 112 per cent in early July. Although long-term bond rates have moved more slowly they are also substantially down from last summer's peak party because of greater confidence that indication will remain loss. that inflation will remain low.

an average of about 31 per cent, More spectacularly, as the a low figure by the standards of broker Wood Mackenzie has shown, the gap between U.S. short-term interest rates and the

of the world fell from about 3 percentage points last summer to zero by the beginning of this year.

It might be argued that because of an improved U.S. inflation performance the gap in real yields has not changed very much. However, this could hardly explain the perverse behaviour of the dollar, which Slower growth will reduce the pressure of demand for more imports, but it will do nothing by itself to ease the pressure on the Federal deficit so that interest rates may well has continued to breach new records as the relative yield of dollar assets has diminished.

#### Controlled glide

Yet, in spite of a chorus of predictions that the dollar will eventually fall out of the sky, and attempts by central hanks to promote a controlled glide before it reaches stalling alti-tude, investors have continued

to queue for a ride.

Does this matter for the world's economy? It is possible that an uneasy balance will be maintained throughout this year, with the U.S.'s deepening trade deficit matched by a growing current account surplus on the part of Japan and Europe.

The EEC countries are expected on present trends to achieve a current account surpected on present trends to achieve a current account surplus of \$9\forall bn this year compared with a deficit of \$1bn in had to 1984. Japan is forecast to increase its surplus to about \$40bn, which would be 25 per cent higher than last year's rail difficult figure and twice the surplus in upwainters.

#### **OECD** forecasts Percentage changes from previous period

	1983	1984	1985
Real GNP		_	
U.S	3.7	63	8
Japan	3.0	54	5
OECD Europe	1.3	2 <del>]</del>	21
Total OECO	2.6	4	3
Real total domestic demand			
U.S	5.0	81	31
Jadan	1.6	4	4
OÉCD Europe	1.0	2	2
Total OECD	2.7	` <del>5</del> 1	2 3
Inflation			
(private consumption deflator)			
U.S	3.7	3 <del>1</del>	31
Јарап	1.6	21	21
Total OECD	5.3	5	4
		- (Shn)	
Current balances			
U.S	-41.6	<b>—188</b>	-131
Japan	20.8	22	40
Germany	4.1	2	7
Total OECD	-24.8	<b>-?1</b>	-86

In 1984, 102 international borrowers entrusted UBS with mandates to lead-manage 147 Swiss Franc issues totalling 15 billion.

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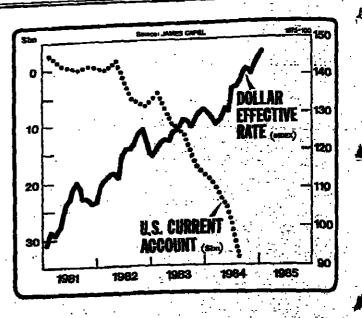
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Union Bank of Switzerland (Securities) Umited
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#### INTEREST RATE DIFFERENTIALS the U.S. would have to be counterbalanced by a rising net adjusting. The increased leak-age of U.S. demand into pany profits caused by the high dollar and the drag of high interest real rates on invest-

1983



#### Higher the rise harder the fall

#### Interest and Exchange Rates PHILIP STEPHENS

THE script has not changed but the longer the storyline runs the more spectacular the ending may be.

Central bankers, economists and politicians have found pre-dicting a decisive fall in the value of the dollar a forecasters'

Each new prophecy of impending doom for the U.S. currency appears only to whet the appetite of the investors who have been pouring funds into dollar assets for the past four years. At the beginning of 1983 the

forecasters were convinced that the turn was imminent. The dollar spent the next year gain-ing another 15 per cent in value. Unabashed, economists are still generally agreed that the

For Europe and Japan the immediate question would be the extent to which fiscal or monetary policy should be eased to make up for the eventual cut in exports to the U.S. dollar's strength — and the huge budget and current account deficits associated with it—are unsustainable. But few predict with any certainty when the "inevitable" The most likely response would be an easing of interest rates. For Europe at least, an easing

will occur. And when it does whether there will be a "hard landing," with U.S. interest rates spiralling upwards as the dollar plummets. Or whether the consummate skills shown by Mr Paul Volcker and his U.S. Federal Reserve

in steering the U.S. economy through the strongest recovery in 30 years can yet ensure a gradual and ordered decline for the dollar. The higher it goes the more

danger that the outcome will be the former. The best guess of most economists is that the dollar is already about 40 per cent overvalued against other leading currencies.

of the Washington-based Insti-tute for International Economics and one of the most eloquent prophets of doom, puts a force-ful case for a dramatic reversal unless the U.S. acts quickly to make major cuts in its budget

A few statistics tell the story: On current trends, by the end of this year the U.S. will be a bigger net debtor than Brazil. By the end of the decade its debts will exceed the total owed by all developing countries.

Even if the dollar stopped rising now its huge current account deficits would leave the U.S. with something like \$1,000bn of foreign debt by the early 1990s.

At the same time the U.S. manufacturing base, its farm and its tradeable services industries would be decimated.

But if it seems obvious that such a trend is not sustainable—that either the internal pres-

sures towards protectionism or the saturation of overseas port-folios with dollar assets will bring the dollar crashing down there is little sign yet of a Part of the dollar's recent rise can be described as specula-tive "froth." But the European central banks which have spent billions of dollars trying to halt the upward trend will testify to

the strong underlying demand for dollars. The huge surplus of Japanese savings and the inertia of most

European economies, relative to the dynamism in the U.S., remain a convincing argument for investors to put the bulk of their funds in dollar assets.

President Resgan's explanation of the dollar's strength as simply a reflection of the superiority of the U.S. economy is clearly far from the whole story. But it is the kernel of truth in the argument that probably explains the fury it arouses among European governments.

1985

governments. At the same time although protectionist pressures in the U.S. are clearly growing they are not yet threatening a collapse of the world trading

The central forecast of many economists therefore is that the surplus of world savings over demand outside the U.S. could well hold the dollar at present levels or push it higher over the short term.

The problem for other economies and capital markets out-side the U.S. would then be to what extent they could continue to insulate themselves from the strength of the U.S. currency and the possibility of higher U.S. interest rates.

The performance of other major bond markets—with the notable exception of the UK which has suffered particular problems—has so far been exceptions. encouraging.

During 1984 the D-Mark lost around 15 per cent of its value against the dollar. At the same time West German short-term interest rates were stable at just over 6 per cent and the yield on 10-year bonds fell to around 7½ per cent from 8½ per cent.

The yen suffered less than most other currencies, losing about 8 per cent against the dollar. Japanese short-term interest rates were steady at just under 61 per cent and 10-year bond yields fell to around 61 per cent from 71 per cent.

#### Industrial strife

Only Britain, which saw the dollar's strength compounded by industrial strife and falling oil prices, experienced a sharp rise in interest rates. By January the pound's fail had pushed short-term interest rates up to 14 per cent and 15-year bond rigids on to 111 non-cent. yields up to 111 per cent.

The key to the relatively good performance of most bond markets outside the U.S. has been the expectation that the

EUROMARKETS IN 1985 A Financial Times conference, Euromarkets in 1985, will be held at the Hotel Inter Continental, Hamilton Place, London W1, on April I and 2.

Subjects include: A New York inv subjects include: A New York investment supports strategy in the dawn of the global market; The new erastrations methods, profitability, management; The U.S. and Japan—their ad hoc agreement and its implications, Japan's international economic objectives; Global equity Japan's international economic tolerates, stone same issues; A corporate view of the international markets. The internationalisation of equity markets from the international banker's point of view; Venezuela and the international financial system; The role of AIBD in the new environmental system; The role of AIBD in the new environmental system; mancial system; The role of AIBU in the new environ-ment; Regulatory questions affecting the London market; The changing City and changing markets; Global sales/ trading systems—a U.S. view; The Euroyen market; U.S. economic outlook—its impact on bond markets; The

a lower rate of real returns.
Since last summer they have also been helped by the sharp fall in short-term interest rates in the U.S., which has pushed the real Yunda and down the ed Funds rate down to around 81 per cent. Whether the world's capital

whether the world's capital markets can continue to insulate themselves from events in the U.S. at a time when most forecasters are predicting a rise in interest rates as the U.S. conomy regains some momentum is more doubtful.

Mr Volcker has made clear that unless Congress takes credible action to cut the bud-get deficit the expectation must be of higher U.S. interest rates to attract the foreign funds needed to finance it.

The strength of the dollar has provided some cushion for the Fed in assessing whether monetary policy needs to be tightened to dampen inflation but it is clear that the process of easing credit which began last summer has come to an end.

haps in the order of \$40bn to \$50bn this year with the promise of much more in other years) allow the coincidence of declining interest rates and a gentle fall in the U.S. currency's

dollar must eventually fall, pro-viding an exchange rate bonus to investors to compensate them for a lower rate of real returns. tion ahead of next year's elec-tions points to a half-hearted compromise which would not be enough to have any real impact on U.S. interest rates.

That scenario—which of course presumes that the dollar does not crash in the meantime—points to at best stable U.S. interest rates and quite possibly some further rise.

#### Central forecast

The central forecast of most economists is that long-term bond yields in the U.S. cannot be expected to move much below 11 per cent over the next year, with the balance of probability pointing to a level closer to 12 per cent.

Orien

The best hope for non-dollar capital markets would then be that investors remain willing to the risk of a dollar collapse.

But there must remain conelderable doubts over how much further interest rates in the rest of the world can be de-coupled from those in the U.S.

"soft landing" for the dollar can only be achieved if substantial cuts in the budget deficit (perhaps in the collar of substantial will demand in terms of substantial substan interest rates to compensate them for the danger of a dramatic reversal in the dollar's

But it could be that the end of the dollar's success story is The problem is that the squar-ing up in Congress so far with the Democrats unwilling to give price for some time yet.



Mr Paul Volcker, chairman of the U.S. Federal Reserve Board: showing consummate skills in steering the U.S. economy through the strongest recovery

#### Securities come to the fore

CONTINUED FROM PAGE 1

borrowings to shift from one But this brave new world is currency to another and from far from being an easy one for fixed to floating rate or vice the banks that now seek to versa), this all adds up to what master it. For a start comprofessionals now call a global petition rages as never before securities market in which preservities market in which preservities market in which preservities market in which preservities market share, either by lower-investors can be met even when they do not superficially among their prices to apparently they do not superficially among their prices to apparently they do not superficially among their prices to apparently they do not superficially among their prices to apparently the prices as the prices as the prices are the prices are the prices as the prices are the prices

to match.

For example, a U.S. corporation wanting fixed rate-dollars at a time when Wall Street is a field day in the Euromarkets and new Jargon is being added to their vocabulary almost daily.

As with the zeal with which Even more remarkable, an As with the zeal with which investor who wants to add to his medieval monks once debated portfolio of British Govern-how many angels could dance

might find himself picking up a market may have opted for for business as never before, higher yield than if he had just securitisation but the abundance With margins dropping, only bought Japanese Government of new instruments suggests volume can bring an increase in But this brave new world is flux.

they do not superficially appear suicidal levels or by devising to match.

suicidal levels or by devising more and more fanciful

ment gilt-edged stock and on the head of a pin, bankers increase his exposure in yen can home in on the advantages of theoretically do just that by such unlikely sounding devices buying gilt-edged and swapping as flip-flop floaters and Guns the holding into Japanese (grantor underwritten notes), currency. In the process he The international capital

Moreover, it is also a pointer

to a much more serious problem that lies ahead. This is the simple fact that there may not be enough new business available to satisfy the needs of all those who want a slice of the

before and other clients, such as large industrial corporations. ייסיש very liquid.

Volume last year was driven by the willingness of many countries, such as Sweden, to renegotiate their debt to achieve lower cost. But that process is notes), also now more or less ex-depend on the capital hausted. Bankers have to hustle their living.

volume can bring an increase in that it is still in a state of return and as volume grows so

Suddenly investment banks have found their balance sheets growing as their inventory of unsold securities expands. That is all right as long as the stocks can be financed at a profit. But what if the yield curve changes. The mammoth recycling task or the dollar crashes and there is a sell-off in the bond markets? Then the losses would borrowers need less money than before and other clients with

That is a sobering thought. but it is one that is now uppermost in many bankers' minds. Securitisation may have been a boon to borrowers; it may offer untold new opportunities to investors. But one thing it has not yet done is open the door to easy profit for those who depend on the marketplace for

FEBRUARY 1985

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March 1985



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### Euphoria fades as problems remain acute

**Debt Crisis** PETER MONTAGNON

LAST December's International Monetary Fund ratification of Argentina's economic programme unleashed a wave of

given way to the grim realisa-tion that, despite the progress of the past year, a long hard slog still lies shead for debtors and creditors alike. In their latest round of debt reschedul-ing agreements, commercial banks have made many concessions. For their part the debtors sions. For their part the decitors have made great strides in improving their external accounts. This, however, cannot obscure the fact that in most of the countries concerned domestic economic problems remain

985.

January's euphoria has now prime rate. Margins over Euro-tinoing shortage of new credit, means that they remain forced currency rates have fallen to generate large surpluses on sharply while maturities have lengthened. Multi-year arrangements in which debt maturing for several years ahead is rescheduled all at once have become the norm. This has the obvious advantage of eliminating repayments humps in the second balf of the current

decade.

their foreign trade to provide the cash needed for interest

payments. This has two main consequences: first the large and politically damaging net transfer of financial resources out of Latin America has continued (the Cartagena group of debtor countries puts it at \$550m last

After a year in which the political one. region's aggregate trade surplus Bank crejumped to \$37.6bm from only little more the spitched to wave in which thus switched to ways in which the DAF suspends its loan prothe economic recovery can be gramme to Brazil. For the most made to accelerate.

made to accelerate.

Here many of the countries concerned, including three of the largest debtors, Brazil, Argentina and Mexico, have run up against IMF worries about their level of inflation. In Argentina inflation ran at an annual rate of 778 per cent in

Bank creditors can little more than stand idly by and hope for the best when, part commercial bank re-scheduling arrangements have worked reasonably well. There have been problems in drafting the legal contract for some of

the new mega-rescheduling deals, particularly with the increasingly common clauses allowing non-U.S. creditors to switch their loans into currencies other than the dol-

Major commercial bank reschedulings

	Amount (\$bn) 16	Years covered 1982-85	maturity (years) 12	margin†	(\$m) 4,200	
Argentina		1985-91	16	11		_
Brazil*	45.3	1985-89	12.	11	290	_
Ecuador	4.3	1985-90	14	11		
Mexico	48.7	1983-86	10	11	925	_
Philippines	5.8		121	11		-
Venezuela	20.75	1983-88		egotiation		-
Vngoslavia	3.5	1985-88	GHOST 1	CBOCINES.		<b>-</b> .

\* Brazil figures not yet confirmed. Discussions also still pend ing for Peru. Chile and Uruguay. † Average margin where applicable.

It has taken longer than expected to raise new credits of dustrial world remain rebust enough for the debtors to infor Costa Rica and Ecuador. And a major test looms in the case of Chile which could be seeking a loan as large as \$1bn to meet its foreign finance eeds for 1985. Much therefore still depends

on the degree to which a con-frontation between debtor and creditor governments can be avoided. A lot of factors come into play besides the political determination of the debtors to

Can protectionism be resisted? Will interest rates rise again. adding to the burden of debt service? And can alternative forms of non-bank credit be found to finance recovery of the debtor economies?

Many uncertainties thus remain. It will be some years yet before any but the most blinkered optimist can claim with conviction that the debt crisis is really over.

# brought to heel and, as a result, the developing country debt crisis finally seemed to be under countrol. The relief was to be short-lived. Barely two months later the IMF suspended its loan programme to Brazil because of its failure to meet key domestic monetary targets. As inflation climbed inexproved in a traget for the problems that have arisen, the longer-term. The relief was to be short-lived. Barely two months later to meet key domestic monetary targets. As inflation climbed inexproved in a country's programme coming off the problems that have arisen, the longer-term. The relief was to be short-lived Barely two months later to meet key domestic monetary targets. As inflation for the problems that have arisen, the longer-term. The relief was to be short-lived Barely two months later to meet key domestic to the problems that have arisen, and the debtors for the problems that have arisen, the longer-term. The relief was to be short-lived Barely two months later to meet key domestic bare to be committeed to City revolution to draw in foreign business

London DAVID LASCELLES

THE UK Government backed the huge changes that have been reshaping the City in the past 18 months because it wants more competition in it wants more competition in Britain's rather protected—even quaint — domestic financial markets. But Mrs Thatcher's administration has also made no secret of the fact that it is encouraging greater openness to ensure London's place as the financial centre of

zones, pased on the Far East, Europe and New York, the Tozy Government is determined to use every opportunity to draw the idea of more competition)

regime that also makes London an attractive place for foreign in Government stock.

Judging by the rush of Euro-Judging by the rush of Europeans and Americans to invest in City firms recently, the policy is working. At the latest count, more than a dozen foreign commercial or invest-

business to London.

This means that while the structural changes are actually taking place in the domestic markets, like the Stock Exchange. Last year, the Bank came out with Exchange and the glit-edged or proposals to create a U.S.-style

Treasury bond market, the Government has been careful to create a tax and regulatory Bank in return for committing Bank in return for committing themselves to making markets The Bank is also allowing

banks to take a direct stake in the discount market—the highly sensitive money markets through which it deals with the UK banking system. This market has traditionally been foreign commercial or investment banks, were on their way
to becoming members of the
Stock Exchange or dealers in
the gilts market, or both.
The upheaval dates back to
1983 when the Stock Exchange
agreed to end its decades old
system of fixed commissions to
avoid a restrictive practices
action by the Government. This
quickly led to other historic

Not that that place was in doubt: there are now some 400 foreign banks in London, with more arriving all the time, and the City has been home to the Euromarkets for years. But as the global banking market settles down into three time settles down into three time functions on the far fast, Europe and New York, the Tory Government is determined to

outsiders can only buy 29.9 per cent of them, but this has been enough to seal deals which will enough to seal deals which which take ownership to 100 per cent when Stock Exchange rules are changed next year.) After the Seccombe deal, more discount houses could join this list.

These firms are now being moulded into new conglomerates. One of the most ambitious ates. One of the most ambitious is being put together by S. G. Warburg, the merchant bank, which is forging alliances with not one but three other firms (two stockbrokers and a jobber) to make what Mr David Scholey. Warburg's chairman, claims will be a world scale investment be a world scale investment bank. Similar groups are being created by Barclays Bank and by National Westminster Bank through County Bank, its mer-chant banking arm.

Citicorp, Chase Manhattan, Security Pacific, Union Bank of Switzerland and Hongkong Bank are among the groups from overseas which have also made acquisitions.

But whether or not they have actually bought securities firms, virtually all commercial and merchant banks in London are or takeovers.

In the past year or so, all the largest jobbing (market-making) firms have been bought out by banks. So have all but one of the largest 20 stockbrokers. (At the moment,

mass" necessary to participate in the markets, rather than

best to regulate the new finan-cial congiomerates that are emerging. The suddenness of

The rationale behind all these deals is that the success- ful financial institution of the ful financial institution of the future will have to be able to deal directly in all the world's market apiralise to match the shift of corporate to match the shift of corporate finance from bank lending to security issuing but to handle clients' investment needs.

Mr Charles Villiers, chairman of County Bank, notes that NatWest, as the biggest UK bank in market capitalisation terms, should be a major player in the domestic UK markets. However, County is taking a cautious line, going to the markets as the "minimum critical mass" necessary to participate in the markets rather than the U.S.—is only too plain.
The reduction in Stamp Duty

building a large group like
Barclays or Warburg.

For the U.S. banks, there is
the extra appeal of being
allowed into equity markets
which are barred to them at
home by U.S. bank taw.

But while unleashing these
changes, the UK Government
has also had to consider how
best to regulate the new financial conglomerates that are
emerging. The suddenness of



activity conveys a strong imression of change, it is worth remembering that little has actually happened yet. The new structures are being created, and the alliances formed. No one, though, can claim that the new system will work or that the new conglomerates will operate profitably and in harmony.

Many sceptics are predicting that the whole exercise could the alliances formed. No one, though, can claim that the profit of the whole is certain the profit of the answers will not come for a long time and certain the profit of the answers will not come for a long time of remembering that little has

sudden inflow of new capital will increase the trading base in markets like gilts by five or

#### Pace of reform in question

**Tokyo** JUREK MARTIN

MOST foreigners in the financial field would like Tokyo to join London and New York as one They think it would be good for them, in that they would be able to handle even more of Japan's vast capital resources, and argue it would be good for Japan, too, if it ever intends to pull its full weight in the international financial and commercial world. Most Japanese who count, in government and in the financial community, do not dispute the logic. What they quarrel with is the pace and means by which Japan attains the ultimate goal.

A segmented and regulated inancial regime is not suscep-tible to rapid and wholesale reform along British or American lines, they argue. More privately, they will concede that there are parts of the Japanese financial community which are not yet ready to survive in a free, competitive climate against the likes of the more efficient domestic institutions or those from outside Japan. And that is the nub of the current debate over finan-

cial liberalisation. Nowhere is the dichotomy more apparent at present than in the plans to allow foreign participation in the Japanese

perticipation in the Japanese pension fund business.

Japan does not dispute that its society, rapidly ageing, needs better managed pension funds than the eight domestic trust banks and a separate colorie of life incurance comments. coterie of life insurance com-panies have proven capable of providing. The expertise to manage this Y65 trillion (million million) pool certainly exists outside Japan.

Japanese Capital Outflow Other

announces the list of foreign institutions authorised to do trust management in Japan it appears almost certain that it will stop at the matching number of eight; and as the foreign institutions delve more the authorities have in mind it is becoming increasingly obvious that they are scaling down hopes of capturing anything larger than a modest slice of this vast pie—for the very basic reason that Japan is not about to allow any of its domestic institutions to go pre-cipitately or unceremoniously to the wall. Domestic mergers and other "arrangements" may in time ensue, but not

Major force It is one of the supreme ironies of the current situation that, while the Japanese domestic capital markets remain relatively restricted, Japanese funds are already a resign forms albeits.

major force globally.

The long-term net capital outflow from Japan last year
amounted to a fraction under
amounted to a fraction U.S.\$ 50bs, a record and com-

Japan has become the world's

largest creditor nation and the great proportion of its external capital investment has been in the U.S. Intriguingly. the principal growth in the capital outflow has been accounted for by corporate

looking at foreign securities purchases stems from two factors; the cash "elephantisis" now affecting so many successful Japanese companies and the lack of investment opportunities in Japan itself, both in its capital markets and in its in-

dustrial infrastructure.

It would be an exaggeration to suggest that Japan has been afflicted by under-investment in plant and equipment; the current wave of technological change has, in any case, ensured that this increase has remained respectable, in the

climate less than optimal-and

has thus contributed to the flight of capital to where the grass—and the dollar—is This is not all bad news from

the perspective of the foreign financial institution, which may do better from managing Japanese external investments than from competing, in a regulated and traditional environment, with domestic concerns.

all in the U.S., over which the Japanese authorities have far

less influence. Yet foreign fund managem vestment inside Japan. Whereas roughly half of all Japanese capital investments outside Japan are in securities, the ratio for foreign investment in Japan rises to close to 100 per cent. The lack of alternative investment instruments to securities in Japan is itself another testament to existing Japanese rigidities, and though foreigners constitute an impor-tant element of trading on the Tokyo Stock Exchange none of them would dream of suggest ing that they are me spirit or statute, of that particular club.

After all, on Christmas Eve no less, the Japanese brokerage hierarchy turned down a singular opportunity to admit Merrill Lynch to membership of the Tokyo Stock Exchange. Some other institutional barriers are being broken down, including, for example, foreign participation in Government bond syndicates and, sig-nificantly, in increased foreign

But this market is again predictably, taking time to develop and is itself still subject to Government inter-

changes on the stocks for this year run to the introduction of a banker's acceptance market, denominated in yen, for trade finance, and the more imminent introduction of money market

As with trust banking the fine print of regulations will be critical. It is not beyond the realms of possibility that the Tokyo Stock Exchange itself will come up with a formula giving interested foreign firms some form of associated mem-bership, though whether it proves worth the price of admission is another matter.

To summarise an immensely complex scene is not easy. In general the Japanese liberalisation evolution is proceeding apace, some areas faster than others. Foreign interest is unabated. A year, and possibly ten years, from now, the same conclusion may be in order,



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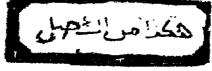
US\$37.7 billion.

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The Tokyo Stock Exchange: foreign traders still outside the club





The partnership at work. From left: Jack Pope, American Airlines Senior VP and Treasurer; Bob Lewis, Chase Corporate Banking; and Torn Fiorito, Chase Capital Markets.

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#### A challenge to London's crown

**New York** PAUL TAYLOR

NEW YORK is challenging London as the financial capital of the world, buoyed by the momentum of the U.S. economy, far-reaching financial deregulation and imaginative innovations. Indeed, some people, particularly New Yorkers them selves — believe that New York has already stolen the crown as the main centre of inter-

Virtually no sector of the U.S. capital markets has been left untouched by the changes which have swept through the financial system. Among the Wall Street securities groups the pressures of competition have forced a further realignment of the firms themselves.

The past 12 months has seen three more Wall Street mergers, Lehman with Shearson; Ameri can Express, Donaldson, Lufkin and Jenrette with Equitable Life; and the bulk of Becker-

Paribas with Merrill Lynch. The continued processes of consolidation reflects a wide range of factors including the pressures imposed by new ways of doing business on Wall Street such as the expanded need to put capital at risk as a result of the rule 415 Shelf registraor the rite 213 shell registra-tion procedure—the desire of most firms to broaden their investment banking business and, in the case of Equitable of the U.S. financial services

At the same time, senior management changes have recently taken place at firms like Merrill

Nymphenburg Castle in Bavaria

to cut costs and improve profitpetitive market place — a market place where the lines between commercial and investment banking are becoming in-

creasingly blurred.

It is probably too soon to judge whether the new programme is a real success. Most ecently the Treasury copied the huge success on Wall Street of certificates representing repackaged zero-coupon government bonds isused by firms like Merrill Lynch and Salomon Brothers as "tigers" and "cats." Over the past three years the markets have swallowed some markets have swallowed some \$40hn in government paper repackaged in this way. Last month the Treasury launched its own programme formally facilitating the stripping of government paper under a scheme called "strips" which allows for the separate trading of the coppens and principal of

of the coupons and principal of designated issuess. In the event, however, the market turned changes sour ahead of the auction and rapidly. the issues were anything but a

Despite this, many on Wall Street believe the introduction of the strips programme could the products offered by Wall stock index options and cur-Street and in the composition rency options. of investors in the capital mar-

Outside the bond markets the equity market is also undergoing structural and other changes.. Last year the longerterm attractions and the import-ance of the U.S. equity markets — despite the lacklustre performance of the Dow Jones and

ability in an increasingly com- growth of the over-the-counter ket, have added to the pressure

the speed of technological advance and the increased inter-nationalisation of trading are capital markets, competition forcing the New York Stock Ex. and innovation have heralded forcing the New York Stock Exits traditional practices.

Among the changes under consideration at the NYSE are an extension of trading hours, link-ups with other exchanges including the Pacific Exchange, and liberalised rules on the classes of stock quoted on the NVSE and other exchanges have already begun introducing elec-tronic trading systems which automate further the trading In

#### DEVELOPMENTS IN NEW YORK, PAGE 12

The range of products offered by the New York and other ex-changes is also expanding In the wake of the of stock options, exchanges in New York, Chicago, Philadelphia and elsewhere have introduced a wide range of new financial instruments.

ne of these new instruments are among the fastest growing "hot new products."
For example, trading in the
Chicago Board Option's Exchange's S and P 100 stock index option grew fourfold to 250,000 contracts a day last year. activity and leveraged buy-outs has helped hasten the attack other major indices were high- has helped hasten the attack lighted by the string of foreign on the remaining barriers while aspecial registered. U.S. commercial banks were high- has helped hasten the attack special registered. U.S. commercial banks into the UK in advance of the radical reorganisation of the radical reorganisation of the UK markets.

Aside from the continuing a wide range of new products and services.

Some of these new services, such as complex interest rate swaps, are designed to exploit tal markets — or individual borrowers access to these markets. About \$70bn of interest rates swaps are estimated to be nding with \$40bn 50bn of them arranged last

In an effort to standardise booming new market a of commercial banks and investment banks recently proposed setting up an inter-national interest rate swap

industry association.

Meanwhile, the Treasury, Meanwhile, the Treasury, burdened with the task of financing the mushrooming \$200bn-a-year Federal Budget deficit, has begun creating new classes of securities with a series of steps designed to cut the cost of its funding.

Beginning last year the 30 per cent witholding tax on interest paid to foreign investors on U.S. securities was repealed. In its wake U.S. com-panies have been able to issue bearer bonds directly from the U.S. rather than through offintroduced new "special registered" targeted government issues — sold to foreign investors only—in semi

Phibro Salomon. In some Wall (ADR) offerings in the U.S., inStreet firms, major reorganisations are under way in order to cut costs and improve profit
(ADR) offerings in the U.S., inCiticorp, with its push into the of three-year 11-month notes business, and last October — was very well bigs British Telecom issues.

Enhancement of three-year 11-month notes business, and last October — was very well bigs received with bids totalling on the commercial paper mar
1. The meantime, the rapid on the commercial paper mar
1. The meantime, the rapid on the commercial paper mar
1. The meantime is push into the of three-year 11-month notes business, and last October — was very well on the commercial paper marsome 30 basis point below the markets and off-floor trading by challenging the remaining equivalent on the U.S. domestic coupled with other factors like rules head-on. Treasury estimate that the registered saved it about \$3.2m in annual

interest costs.

The traditional exchanges have also begun to adapt to the new order. Among them hte New York Comex has expanded its range of option futures adding options on silver futures most recently while the York Cotton Exchange plans to trade a U.S. dollar index futures contract and the sugar, coffee and cocoa exchange is waiting approval for a conprice index.

Meanwhile the commercial banks are also pushing aggressively into new marketssively into new markets—out domestically and abroad—while expanding their existing role in established businesses. For example the volume of foreign exchange trading in New York is continuing to grow reaching around \$33bn a day recently.
To cope with this substantial increase in volume the major U.S. banks are investing neavily in new dealing rooms—many with the capacity to deal on a 24-hour basis.

Highlighting the internationalisation markets and of the institutional funds which flow through them—the Wall Street firms and commercial banks are expand ing their presence in key overseas markets. One signal of the likely shape of things to com-

#### Explosive growth and increasing diversity

Floating-Rate Eurodollar Bonds

MAGGIE URRY

THE Eurodollar floating rate note market looks set to con-tinue both an explosive growth rate and an increasing diversity

of instruments.

New issue volume doubled in 1984 to \$28.5bn, for the first time exceeding the total value of fixed rate Eurodollar bond issues. Already this year a large number of deals have been launched, often at times when the fixed rate market was when the fixed rate market was

when the nixed rate harket was virtually closed.

FRNs have proved popular investments where protection of capital is required. Because the interest rate is refixed regularly—usually every three or six months—volatile interest rates are not a threat to the bonds' capital value. At each compan refixing the price of the coupon refixing the price of the bonds approximates to par as market rates are used to set the

new coupon.
As a result the vast majority of FRNs are bought by banks anxious to lock into assets with a yield higher than, and tal-culated in the same way as, their cost of funds in the money markets. FRNs have generally had their coupons set in terms of a percentage margin over London interbank offered rate (Libor), the rate at which the

banks obtain their funds. The banks' need to buy assets such as FRN, where the credit risk is usually good, is increasing as other lending becomes more and more problematical. The demand for this paper has, therefore, been strong enough not only to attract more borrowers to the market, but also to drive down the cost of borrowing until now margins are water thin.

Many borrowers have found the FRN market a much cheaper place to borrow than the syn-dicated credit market and have used FRN issues to repay their loans early. This has added to the banks demand for floaters by taking other loans off their

The process has gone so far now that many major borrowers have repaid older FRN issues early by tapping the market for even cheaper floating rate money as the cost of borrowing has numbled. The accompanying table shows how the market has expanded, with issue numbers and sizes increasing while the average margin over Libor has

has increased in recent years, partiy as a result of the first issues of perpetual floaters. This trend was started last April by National Westminster Bank able to fund below Libor. These

Market Trends in Eurodollar FRNs.

1978 1979 1980 1981 1982 1983 1984+ 27 56 48 65 81 60 148 Number of issues Average basic margin over Liber (basis points) Liber (basis points) 39 21 24 27 25 16 14 Average insturity (years) 58 57 74 90 129 170 189 † January to November

may not have a put option.

This has deterred some investors who necessarily have a few recent floating rate issues shorter time horizon from buy-ing these issues. But the ingenuity of bankers quickly

circumvented this problem. Morgan Guaranty devised an issue for Sweden launched in June last year—where the investor can switch from the undated bonds into a fourthyear floater paying a lewer rate of interest. The investor can also switch back into the perpetnal issue. This structure, which became known as the "flip flop" option, soon became almost standard on perpetual

#### Lower margins

The declining margins over Libor available to investors in FRNs—which have fallen to only a few basis points for top quality borrowers has also required some ingenuity for the banks which structure the deals. A popular format during times when the yield curve is steeply rising is the "mis-match" floater

This sets the interest rate using a three-monthly or six-monthly benchmark but the level is refixed every month. in the money markets at the monthly rate.

This would normally result in a mis-matching of the investors assets and Itabilities, which can be very risky if interest rates are volatile. But with the mismatch floster as long as the whole yield structure moves up and down together, rather than the yield curve changing shape, the danger is averted.

If six-month or three-month rates are much higher than one month rates an investor can pick up more yield than it could by buying standard FRNs. The investor does suffer the com-pounding effect of borrowing monthly though. The danger arises if the yield curve dattens or even changes to slope down-wards so that one-month money six-month funds.

the banking bench- credit standing.

issues have been made with no marks though, and some bor-final maturity. The borrower rowers particularly sovereign reserves the right to repay the and supranational names have principal early, but the lenders become better credit risks than

where compons are set at a margin over U.S. Treasury bills. Treasury bill rate reflecting the credit standing of the U.S. is generally well below Liborgeneraty weil below Libor-making the funding even cheaper for borrowers. How-ever there is a much more limited peol of investors in

There is a limb to the amount

There is a inner to the amount that banks can lend at a yield lower than their own marginal cost of money.

The T RIII based issues are expected to appeal mainly to investors who normally buy T Rills themselves, such as central banks of themselves, such as central banks. banks, investment institutions and cash-rich companies. Such is the investment bankers skill in developing and refining new concepts that a recent issue for Swedish Export Credit, led by Merrill Lynch, adopted both the T Rill pricing and the mis-

match formula. Floaters have even been auctioned to investors in a manne similar to the U.S. Treasury's regular bond auctions. Last October and November Morgan Sweden, totalling \$1.2bn through allows investors to fund their a tender sale, with a resulting holdings of FRNs by borrowing very lew borrowing cost for that very low borrowing cost for that

While banks remain the typical buyers of FRNs, with the asset-hungry Japanese banks the most significant force in the market, they are also major borrowers. In that sense the FRN market supplements the normal interbank money market and banks establish a credit line for the borrower before buying an FRN.

Sovereign names are the other major category of borrowers in the market, with combined bank and sovereign issues making up between 80 and 90 per cent of the total amount raised. Trends in the floater market may not the exchange rate a less impor-tant consideration for investors -who will continue to do business in dollars—and the vola-tility of interest rates the market's raison d'etre, any threat to the market's continued changes in the major players'

#### Expansion of product range

MANY PROFESSIONAL portfolio managers may still be ner-vous of taking the plunge into financial futures. While they financial futures. While they hold back, the burgeoning options market is offering a bewildering new range of tools both to them and to corporate

Trading in financial futures on the dominant U.S. exchanges has grown rapidy at the expense of traditional commodity con-tracts. The markets have tended to be used mostly, however, by major financial institutions, such as the big commercial and investment banks, who use futures as a hedge against their huge position-taking in cash

U.S. Treasury bond, Eurodollar and stock index futures have fuelled recent expansion in Chicago, while in Britain the London International Financial Futures Exchange has seen steady volume growth in its U.S. Treasury bond, Eurodollar, UK gilt-edged and three-month sterling contracts.

To some extent, economic de-velopments of the past few years reduced the need which originally drove investors into futures markets. Inflation has dropped and the dollar has been strong, so the need to protect the value of many holdings has

Extraordinary volatility has persisted, however, in interest rates as well as in short-term currency movements. This explains the growing popularity of "derivative" financial pro-ducts—futures, options, swaps The return to favour of equi-

ties over the past few years has also prompted the growth of index futures enabling investors to protect themselves from a sudden decline or to enhance profits from a market upturn. The disappearance of a num-

The disappearance of a number of futures brokers last year highlights one of the markets' major problems: although the big contracts are extremely liquid, they are dominated by big institutional users and by Chicago "locals," individuals who trade on their own account. The average money manager, whether fund managers or company treasurer, remains either uneducated or unconvinced about the advantages of

**Futures** ALEXANDER NICOLL

To counter this problem, small group of market participants and portfolio managers in London have recently got in London have recently got together to form the Options & Futures Society, a "user group" designed to foster both understanding or, and debate about,

Though London-based society is intended to be international and has the endorsement of U.S. exchanges as well as of the London Stock Ex-change, Liffe and the Inter-national Commodities Clearing House.

Mr Nic Stuchfield, a partner a stockjobbers Wedd Duracher Mordaunt, says the placing of options ahead of futures in the society's name was simply to get a better acronym (TOFS), but there is no doubt that the greatest hope for arousing worn interest in for arousing more interest in the markets lies in options.

Last year, volume in options on Treasury bond futures contracts rose to 6.6m on the Chicago Board of Trade, four timse the business done in 1983 and 56 times 1982 volume. (An option confers the roght, but not the obligation, to buy or sell the underlying item, be it a futures contract, an equity, or something else, at some point in the future.)

Again, options on futures contracts may appeal most to the same big institutions who are active in the cash U.S. government bond market and T-bond futures.

But they can also offer a But they can also offer a cheap bedge against interest rate movements in general—the price paid for an option is the limit of the buyer's potential loss, whereas the potential for loss through incautious use of futures is much larger.

Options have also been developed on stack index futures.

loped on stock index futures, though these have yet to com-mand a big market.

At the same time, the traded

equity options market in Lon-don, which has been struggling for years to win greater atten-

few months following the introduction of successful options on British Telecom and Jaguar Shares. London also has its own stock index future, Liffe's FT-SE 100 index.

Of more appeal to corporate treasurers as opposed to pro-fessional investors are currency options, traded on the Philadelphia Stock Exchange and also offered on a custom-made basis by leading international banks. Companies can use optionsor futures, or a combination of both—to minimise the risk from currency exposure arising out

of specific transactions and contracts. The growing Philadelphia market offers the advantage of tradeability and market-set, visible pricing. But contracts are neutrally in specic amounts and for fairly short periods which may not precisely conform with an individual company's needs.

#### Tailor made

Banks, therefore, write options on th so-called over-the-counter market, in which options are tailor-made for cusner requirements but cannot be traded or, probably, effi-ciently priced. They have been attemping to standardise options trade so that they are not forced to ofset their own options risks on the U.S. exchanges.

This could eventually form part of growing options trade in London, where there is hot

competition to develop new options products between Life and the Stock Exchange.

Greater futures and options volume in London should be aided not only by more education and marketing, but also by tougher investor protector hich should result from changes in the City's structure. Market participants have formed the Association of Futures Brokers an dDealers, which is now getting under way and is expected to have broad

There is no doubt that the range of products on offer will continue to expand quickly. major market for which there is no precise hedge is Eurobonds, hedged through the U.S. T-bond market. Liffe has tried to come up with a Eurobond futures contract, but the diversity of Eurobonds has so far made it. has taken off in the past impracticable.



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November 28, 1984

All of these securities have been sold. This announcement appears as a matter of record only.

#### Reinforcing securitisation trend

**Euronotes** PETER MONTAGNON

LITTLE has done more to transform the face of the Euromarkets over the past year than the sudden and explosive growth of a new form of borrowng technique—the Euronote issuance facility.

According to the banking magazine Euromoney, funds raised by this new medium jumped to US\$17.4bn last year from only \$3.5bn in 1983. And in the first month of 1985 business continued apace, with the launch of new facilities totalling no less than \$3.3bn.

For top-rated borrowers such as Sweden and the Swiss food giant Nestle, and even for some less-favoured names such as the Korea Exchange Bank, the new technique has opened the door to borrowing at costs close to or even below bank deposit rates. This would have been undreamt of just a couple of

what professionals call ecuritisation of international debt. This means the issue of debt can be traded among investors like a bond, rather than be left to moulder on the balance sheet of one single bank until

maturity.

But despite their rapid rise to fame Euronote issuance facilities are still the subject of intense emotional debate within

But such a borrower also the banking community. Part needs to be sure that he will of the reason for this is that always be able to find buyers

the market is still very much in its for his notes in the marketplace, off additional profit in the its formative stage.

This has led to a welter of find he had to pay down his were offered was a relatively its formative stage.
This has led to a welter of

varations in the way in which the mechanism is structured and that in turn has made it all the harder to understand and In the background are fre-

quently expressed fears of big commercial banks that the new mechanism could squeeze them out of the international loan business, much as the growth of the commercial paper market in the U.S. has deprived banks there of the chance of doing loan business with top-rated corporate customers.

The principle on which the Euronote market operates is now, however, perfecfly clear. It involves an ingenious realloca-tion of roles within the inter-national capital market, the effect of which is to allow borrowers to raise what is effec-tively medium-term, say five or seven year, money at the very low rates available only in the short-term money markets where maturities rarely exceed three or six months.

A borrower who raises money in the Europote market does For the market as a whole the so by the issue of short-term growth in Euronote business notes that are negotiable like has reinforced the trend towards certificates of deposit and can supposedly be placed with nonbank investors such as central banks and corporate treasurers.

As one issue of notes matures after three or six months he issues some more so that while the holders of the debt change over time the total outstanding in the market can be main-tained in the medium term.

debt earlier than expected. For that purpose a Euronote facility is normally backed up or underwritten by a group of commer-cial banks which stand ready to buy the paper at a specified price or to provide credit in a period when the appetite of

short-term investors wanes. The traditional function of rcial banks, which was to lend money over the medium term, has thus been split in two. Instead of lending money, com-mercial banks simply commit their resources to guaranteeing that it will be available over the medium-term. The actual funds are provided elsewhere in the market, theoretically from non-bank investors looking for a short-term home for their surplus cash.

Within this basic structure, however, controversy still rages about how Euronote facilities should work in detail. Above all this relates to the way in which the notes should actually be placed in the market.

Merrill Lynch, the U.S. investment bank, which has been one of the main pioneers of the new facility, argued from the outset that it, as lead manager or arranger, should have the sole right to place the paper in the market.

The advantage was that one house with an established posi-tion in the short-term securities hetter control of an issue, secure a fair price for the borrower and preserve a smooth secondary

market in the paper.
But this approach alienated potential underwriters who saw that Merrill was able to cream



to their participation fees.

and thus still deprive many participants of the chance to

participants of the chance to earn placement profits.

Some therefore began to demand what is called in the trade "protection," which means that they would be guaranteed a certain amount of paper at a specified price at each auction of notes.

secure its place in the history

books each one tends to be

dentified by its own acronym, so

that the market has been

assaulted by a battery of GUNS, SNIFS, RUFS, NIFS and even

For most ordinary bankers

that list is just about as con-

fusing as it sounds. What many argue is now needed is some

form of standardisation so that it will again be possible to differentiate clearly between individual credit risks in the

Without that it is very diffi-

cult for would-be participants to

assess either the risk or the reward of the business they are

One step which would help in

this respect would be the rating of Euronotes in the same

way as commercial paper is

rated in the U.S.

The problem with this system as it turned out is that tender panels could still be dominated being placed with other banks rather than the range of instrong investment banks which would outbid weaker vestors to which they are tarmembers, scoop up all the paper

Moreover, only about \$5bn in notes has been issued out of an outstanding potential volume of some \$35bn. A broader investor base is needed for the market to mature.

Separately another threat looms over the market in the form of possible regulation by central banks which have looked askance at its develop-

specified price at each auction of notes.

The chances of making additional profit on the sale of such paper may help attract more banks into note facilities as underwriters, but it can distort the secondary market price of the paper if these banks find it hard to place and dump it in the market. Many place restrictions on the issue of note facilities in the issue of note facilities in their own currencies with the result that the dollar and the uncontrolled ECU (European Currency Unit) remain two of the very few currencies in which Europote facilities can be arranged in connection with oil company takeovers in the U.S. All this has led to a plethora of different types of facility as lead managers seek to perfect the ultimate Euronote deal. To

What worries the central banks most is that underwriting banks are now carrying writing danks are now carrying huge contingent commitments to provide money if the note sales fail. But they do not necessarily have adequate capital backing. It is precisely because the banks could be called upon to exercise their underwriting commitment at a underwriting commitment at a time of world financial crisis that capital requirements are regarded as so important. The Bank of England, Federal

Reserve and other central banks are therefore looking at Ways in which banks could be made to protect themselves against this, by the imposition of capital ratios to Euronote business. When and if it happens that

would have the effect of push-ing up the commitment fees charged by banks for their underwriting role. Some borrowers might be squeezed out of the market altogether because it would again become money in the Eurocredit market and, at the very least, the larger fees would make it easier to differentiate between risks.

But few bankers now believe that even tough regulation would kill the Euronote market. It has come too far over the the Euronote market that has not so far been overcome is that most of the notes still end up most of the notes still end up most of the notes still end up market that past year for that even if it short-term money market would existing debt and replace conflict with their existing trade finance arrangements, and make last year Sweden as

speciality product **Syndicated Loans** 

ACCORDING to Morgan Guaranty Trust the U.S. bank, the volume of new business in the syndicated loan market jumped from only U.S.\$74.2bn in 1983 to \$106.3bn last year. Even U.S. banks have swallowed their pride and overcome their deeply ingrained reserve about lending to

That should have left bankers crowing with satisfaction about another boom year. Instead. they have rarely been more gloomy about the future of in-ternational bank lending. For the truth is that the figures dis-tort the actual trend in market activity. As far as traditional syndicated loans are concerned volume appears to be stagnating

or falling.
Indeed the syndicated credit, which was once the main vehicle for large scale international borrowing and lending, now seems to have taken on the role of a speciality product for a market in which other instru-ments such as floating rate notes and the new-fangled Euronote facilities have come rapidly to

PETER MONTAGNON

company takeovers in the U.S. That was clearly a chance occurrance. It speaks more of the oil industry and the U.S. equity market than state of the credit market itself.

For top-rated borrowers in Europe, syndicated loans have lost much of their appeal because they are more expensive than new forms of borrow-ing. They are also less flexible, particularly compared with Euronotes which allow a borrower to draw just as much cash as he needs at any one

At the other end of the credit spectrum the market is still hampered by the loss of credit-worthiness of former large customers in Latin America. These could once be relied on to take tens of billions of dollars in page loans each year.

in new loans each year.

As a result the syndicated loan is an instrument that has generally retained its relevance only for a rather narrow band of intermediate credit risks which still have appeal to bank lenders but not necessarily qualify for bond market finance.

Some of these borrowers have also taken a deliberate policy decision not to avail themselves of cheap Euronote facilities. East European names are a case in point—they are apparently worried that to rely heavily on borrowing from the

them vulnerable to sudden shifts in the political and

Decline to a role of

East European horrowers, notably the Soviet Union and East Germany, have thus become fairly heavy takers of funds in the Eurocredit market. And they have found their deals easy to place with banks struggling in vain to find suit-able lending opportunities else-

Comecon since the Polish debt crisis and the Soviet invasion of Afghanistan. They piled into a recent \$150m credit for East. Germany which was quickly doubled to \$300m, and is slated for a further large increase to perhaps \$400m or more. Competition for such business

is, however, so hot that margins have come under severe downward pressure. A recent ECU50m loan for the Soviet Union (put together without the participation of U.S. banks) was more than twice oversubscribed, despite a pricing structure; which saw the margin starting at just \(\frac{1}{2}\) per cent over London interbank deposit rates.

The syndicated loan is an instrument that has generally retained its relevance only for a rather narrow band of intermediate credit risks.

Other borrowers which also still feature in the syndicated loan market are those which have traditionally been re-garded as second tier rises such as North African countries, some borrowers in Southern Europe and South Korea, the most heavily indebted nation in the Far East.

Even some of these countries have diversified their borrowing programme into new instru-

Spain is tapping the U.S. commercial paper market while Korea Exchange Bank and the Republic of Portugal have arranged Euronote facilities.
Others such as Thailand,
Malaysia and Greece are also turning increasingly to the floating rate note market to cover a significant part of their needs. But what has turned out to be particularly galling as tank lenders has been the way in which the availability of cheaper forms of credit has encouraged existing debt and replace it with Last year Sweden and Den-

**Syndicated** 

Bank Credits

mark both started to do this in a systematic fashion. Other countries which have also been renegotiating previous deals in-clude Ireland, Italy, Belgium, clade Ireland, Italy, Belgium, France and Canada, while late last year Fibland decided simply to carried all its \$1.50m in outstanding standay credit lines from commercial banks.

In the process banks are finding that older loans either disappear from their books or layer been replaced with new bane.

been replaced with new toans bearing much lower margins than before. That has put earnings from syndicated loan business under pressure and many banks are reorganising their capital markets activities as a

Nowadays it is less common to find a syndicated loan depart. ment as a separate part of a major international bank and more common to find syndicated loan specialists operating as part of an integrated capital markets team offering a wide range of products.

This is an important structural change. It means that lenders are adapting to an era in which the syndicated loan no longer holds sway. As a result there is less chance that syndicated lending will ever reain its once coveted rominence in the capital markets.

That could happen if a strong recovery in loan demand could not be met elsewhere, or, for example, if central banks decided to impose such draconian regulations on the Euronote market that it was no longer cost-effective.

For the time being the former

possibility looks remote. As for the latter, central banks are looking at the Euronote market but are being remarkably slow

At the moment, therefore, no one is betting on a recovery in the syndicated loan market, for this year at least.

#### standard and Poor's, the U.S. rating agency, has said it plans to devise such ratings, but so far it has not done so. If it did, at least it would be easier to gauge the right trading level for different types of note in the secondary market. That might encourage more non-bank investors to enter the market. For one drawback to the Euronote market that has The dealing room at Merrill Lynch Banking internationally? 5 good reasons why you should talk to Rabobank.

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#### Wonderful winning ways

Interest Swaps ALEXANDER NICOLL

SWAPS, one of the fastest growing sectors of international credit markets for the past two years, have been described by one of the market's major players as "that wonderful invention where everyone wins."

Attempting to explain an extremely complex and fluid business in simple terms, swaps practitioners offer many catchphrases to encapsulate what their market does. But essenti-ally it allows a borrower, after raising funds in a market it can easily tap, to pay interest on that borrowing in whatever cur-rency and whatever rate regimen it wishes. It can adjust debt servicing methods to suit

his needs.
Thanks to the muscle of a few major participants, swaps have shown phenomenal growth. One leading player's estimate is that swaps covering U.S.\$150bn of debt principal were arranged last year, perhaps seven times 1983's total.

Such estimates are little more than conjecture, however, and could include a substantial amount of double counting since, in any transaction, there must obviously be at least two

After such explosive growth, the signs are that maturity is fast arriving. Expansion has levelled off in the early part of 1985, with severe imbalances being exposed in basic supply and demand. Furthermore always a sign of maturity the regulators are showing

Although Swaps, by their nature, involve two or more parties, they are perhaps best approached from the point of view of the individual bor-

A typical but notional set of circumstances: XYZ Corp, an industrial company, wants to raise \$100m and to pay a fixed interest rate. If it was to issue a straight Eurobond, it would

Bank, to pay 12; per cent to Swap Bank for the length of the borrowing and to receive in exchange Libor. The Libor elements that it is receiving from Swap Bank and paying to its creditors cancel each other out: So XYZ is left with fixed Student Loan Marketing to XYZ.

Swap market.

The World Bank has been one of the biggest participants, converting from dollar interest to currencies with lower rate levels such as Swiss francs. The Student Loan Marketing to XYZ. costs of 121 per cent being paid to Swap Bank and the 11 per

cent spread over Libor being paid to its creditors. The total of 13‡ per cent is less than the 15 per cent which it would have had to pay on a conventional fixed rate bond

Meanwhile, Swap Bank is also signing a contract with a coun-terparty. AAA Bank AAA could borrow on the interbank market at or just above Libor, but wants to get cheaper funds. Because it is a prime borrower, it can obtain the finest terms available on the dollar Euro-bond market.

#### Fixed rate

AAA Bank therefore issues a \$100m straight Eurobond with a coupon of 11½ per cent. Under its separate contract with Swap Bank AAA pays Libor to Swap Bank, and gets a fixed rate of 12 per cent in return. The fixed rate payments are used to service the Eurobond, and also provide a surplus of ½ per cent.

asso provide a surplus of 7 per cent.

Since AAA is paying Libor to Swap Bank, its cost of funds is therefore Libor minus 1 per cent—a saving of 1 per cent or slightly more.

Both counterparties have therefore reduced their interest costs at existing rate levels and

costs at existing rate levels, and for the longer term have estab-lished a rate structure more suited to them: industrial companies, fearing interest rate rises, may wish to lock in to fixed rate payments. Banks prefer to pay floating rates to match their lending rate struc-

in the middle, Swap Bank passes AAA's Libor payments to XYZ. In the other direction, it receives 12} per cent from XYZ and passes 12 per cent to AAA—taking a 25 basis point spread itself.

Swaps need not always be between fixed and floating rate dollar payments. They may be probably have to pay a coupon between one floating rate of about 15 per cent. It views this as prohibitive, and instead another (U.S. prime-based), and borrows from its banks at 11 in particular they may be per cent over Libor. between currencies—indeed, it To obtain a fixed rate on this was the pioneering use of curborrowing, it contracts with a rency swaps by major borrowers swap intermediating bank, Swap such as the World Bank which

Student Loan Marketing to XYZ.

Association has also been important, converting from Confixed to floating dollar rates.

The need to tailor-make swaps to meet individual needs of customers, and to match them with a range of counter-parties, has tended to foster the prominence of a few major intermediaries.

These have been Citicorp.
Morgan Guaranty and Bankers
Trust among commercial banks,
and Salomon Brothers and First Boston among investment banks. There is also a range of second-There is also a range of second-tier participants in New York and London, including most of the top U.S. commercial banks, some of the leading investment banks, and London merchant banks such as Kleinwort Benson and J. Henry Schroder Wagg.

and J. Henry senroder wagg.

The biggest users of the market have been banks on the one hand and U.S. companies on the other. The latter have been encouraged to lock into fixed rates by the extreme volatility of interest rates in recent wears but demand from recent years, but demand from them is obviously determined to some extent by expectations for interest rates.

If they think rates are going to fall, they are less inclined to lock in now to what might be an expensive fixed rate.

Indeed, the signs now are that demand from banks wish-ing to obtain cheap floating rates far exceeds that from customers seeking to switch to fixed rates. This is hampering the market's growth.

There have as yet been no publicised defaults on a swap

Concern expressed

Swap Bank is then exposed to its contract with AAA Bank, which it must continue to honour. It can cover itself invarious markets. For example, it can borrow floating rate dollars—which will then be serviced by the Libor payments coming from AAA, and use the borrowed dollars to buy fixed rate instruments, the interest on which will go towards its 12 per cent payments to AAA. per cent payments to AAA.

The risk here is that fixed rates at the time of the default. may have moved considerably from fixed rates at the time the swap contract was executed.

U.S. banks are considering to what extent they should disclose their swap exposure, and U.S. regulatory agencies are considering to what extent 1/mks should be required to disclose. Officials of the Federal Reserve and other agencies have already expressed concern.

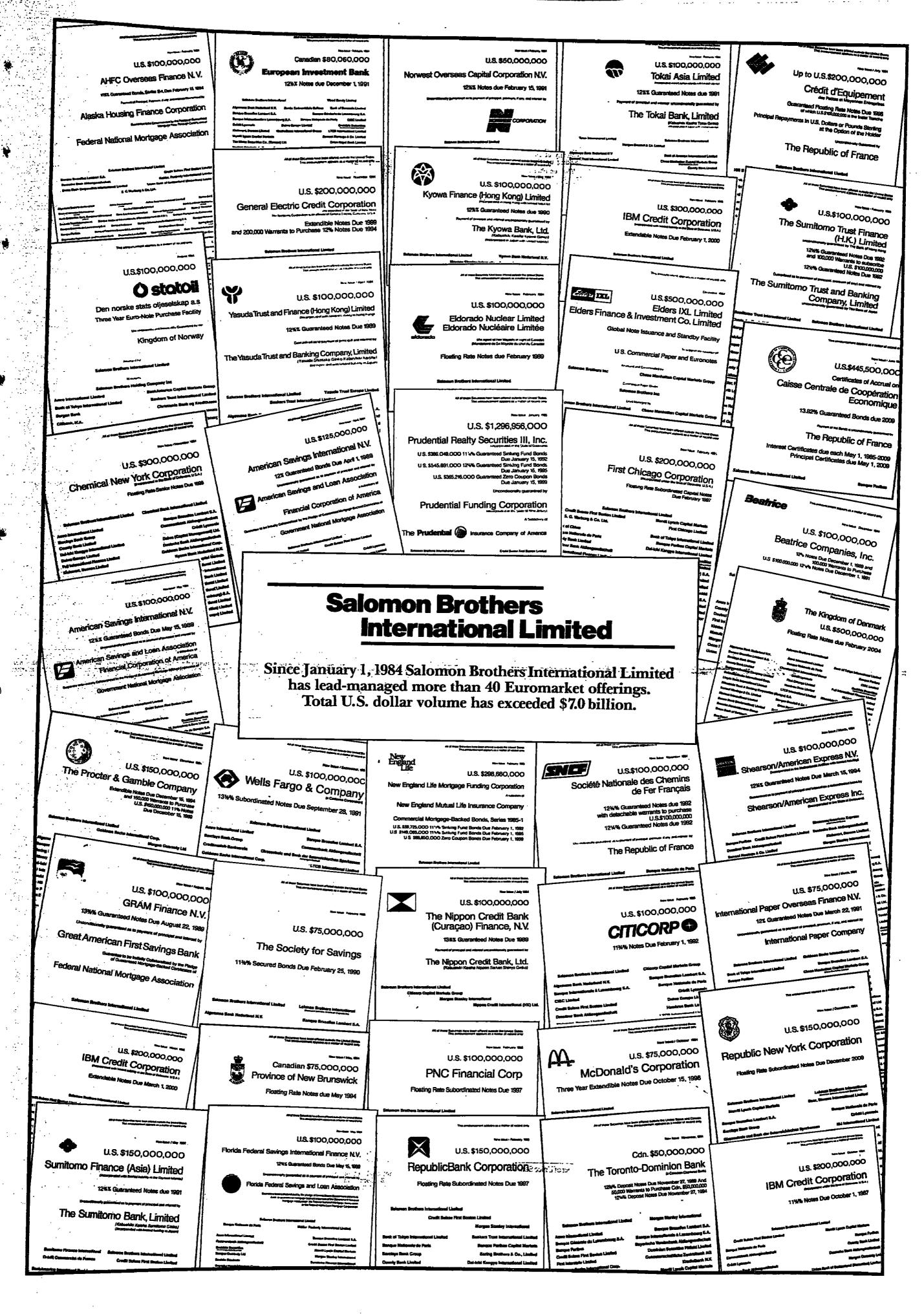
A different concern has arisen out of the differing prespectives of the major market participants. Investment banks, keen that swaps should become fully tradable items because they do not want to hold them on their books for a long period, have been discussing with commer-cial banks the establishment of standardised documentation.

Meanwhile, some have been requiring collateral and taking other measures to protect them-selves. An active secondary market, and complexities such publicised defaults on a swap as options on swap contracts, contract — which is separate are developing apace.

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#### It's just a question of protection against risk

bered—particularly by invest-ment and commercial bankers. The use of Libor as the virtual universal benchmark for the pricing of dollar-denominated interest rate sensitive debt outside the U.S. was inevitable and understandable. It satisfied almost everyone. The reasons for its success are transparent.

The fact is Libor-based lend-ing permitted commercial banks ing permitted commercial counts to relax—not to worry about credit distinctions or mis-matches between funding costs and return on assets. Banks were not about to fall into the trap of taking on interest rate sensitive liabilities while deploying them on fixed rate loans. And, if in some countries home owners were as yet unwilling to take on the volatility of floating or adjustable rate mortgages. there was no shortage of sovereign governments pre-

From the borrowers perspec-tive. Libor-based instruments were described as "long term." "Long Term" became synonymous with certainty. Again, there was little concern with volatility, although as matters later developed the uncer-tainty of the cost of servicing may have been an appropriate price to pay as compared to the certainty of the perpetual nature of the maturity. But

that is another story. Libor had other attractions. It did not discriminate between not-so-hot banks, careful banks or aggressive banks. The fund-ing costs of banks, except in a few isolated situations, did not distinguish fully the better capitalised or more cautious banks from their less-endowed.

Libor did not penalise, gen-with a diversified source of erally, banks on the basis of the funding—even more so if they quality of their assets or the were a natural dollar-based

AMONG THE great discoveries of nature and insights into the secrets of life. Libor (the London Interbank Offered Rate)

London Interbank Offered Rate)

Not exactly a comfortable benchmark for the highest benchmark for the high

Similarly, the spreads paid by issuers or debtors "over" or "under" Libor seemed driven. at any given time, primarily by a desire for market share, the slope of the yield curve, the proliferation of offices in London, the extent of consumer loan demand back home, and more generally the capacity of the lead manager to exercise discipline over its co-underwriters and thereby diffuse

There was hardly any room to distinguish, on the basis of spreads, India from China from Korea from Mexico from France from Sweden. The credit standing of the insurer got lost in the rounding.

Everyone used it: banks; issuers; debtors; rich countries; poor countries; traders and arbitrageurs. Clearly, if the largest and best of the brightest banks in the world lent money to each other at Libor, should not that rate provide the base for Sweden and France and the

Libor also proved wonder-fully unstable against the U.S. Treasury Bill, unpredictably ratcheting up rates for all banks when any one bank (or country) had publicised problems. Not unexpectedly, the volatility created the opportunity even the necessity, for hedging, arbitrage, swaps—a process still continuing.

Libor wise provided a cost benchmark for pricing loans based on the marginally highest cost of funds—a particularly useful characteristic for banks

external customer base. The ultimate investor could just as well be the under-writing bank.

For the World Bank, all this was a puzzlement. We had come but lately onto the scene, borrowing for the first time in 1982 through interest rate sensitive instruments in the U.S. domestic short-term market—and even then by means of day-to-day pricing strictly based on the prevailing yields for short-dated U.S. government obligations and typically at 10-15 basis points over the yield for those instruover the yield for those instruments.

Over the last 30 years, our fixed rate bonds were consistently priced on the basis of the yield on fixed rate govern-ment obligations. We were accustomed to depositing our liquidity in commercial banks particularly when Libor escalated to 300-400 basis points over U.S. Treasury Bills.

The idea that the World Bank should price its bonds on the basis of those rates was anamolous at best and innovative to say the least. development expected and fair. which brought Libor-based instruments to the U.S. simply provided a successful test of the quality of the World Bank credit

The very success and the reasons for Libor acceptance increased our anxiety about its wisdom for us. We had the luxury of waiting. The first T-Bill FRN in Europe was brought to market with the World Bank name by Bankers Trust, Only a partial success—



Eugene H. Rotberg, Vice-President and Treasurer of the International Bank for Reconstruction and Develop-

were quite narrow

Later First Boston, then Solomon Brothers, again, this time in the U.S. domestic mar-ket found a niche—customers who wanted a high quality credit other than a commercial bank—which would provide a return over T-Bills. Someone, we concluded, must be purchasing Treasury Bills. After all, there are \$325bn outstanding with a maturity six months or less. Central banks, clearly were and are not the only non-U.S.

Morgan Guaranty then structured the "traditional" T-Bill-based issue by creating an instrument which provided (a) immediate liquidity, (b) a take-

an attempt by reasonable and motivated bankers to test the market outside the banking system—in a favourable environment when Libor-Bill spreads investors therefore had choices -puts. secondary market liquidity, and/or protection against capital loss. Five hundred million dollars. A diversified customer base—institutional and

> The prospects remain bright. After all if it is mainly the open-ended risk of the T-Bill Libor spread going beserk, one ing the use of the would think there might be as a reference rate. ways to hedge that risk, lock in spreads, and protect oneself. The thought occurs, if one were to fix the spread to say 25 per cent of the difference between T-Bill and Libor and guarantee a minimum decent spread over the T-Bill, what would an issuer (or underwriter) do and for how

I suspect someone will work out. After all, there's nothing "wrong" with Libor. It's just a question of protection against risk. Like carrying an

basis for one-in-one lending

that these credits were priced off a cost-of-funds-related base rate, such as Libor.

rate, such as Libor.

It is, however, important to recognise that Libor can vary as between groups and classes of banks. This tiering can also vary over time.

Normally this means that a Libor-related rate would provide a higher effective return, in relation to cost of funds, to the largest, more creditworthy and dollar-based banks than to the smaller, peripheral or non-dollar-based banks.

This would suggest that large,

credit market and it was natural

dollar-based banks.

This would suggest that large, widely-syndicated international bank credits will continue to be Libor-based, but also that the leading banks should pay more attention to the distribution of fees so as to achieve a more equitable treatment of the majority of banks in the syndimore equitable treatment of the majority of banks in the syndicate. Otherwise the market for broad syndication might continue to shrink, to the detriment of banks and borrowers

This also means that Libor is not necessarily the appropriate basis for one-in-one tending by the large dollar-based banks for which Libor is not relevant as a measure of their cost of funds.

This also means that Libor is not relevant as a measure of their cost of funds.

This diversification, designed to come closer to the banks' cost of funds, has already taken place in the U.S., where pricing in relation to the CD (Certification to the CD). cate of Deposit) rate has be-come more usual and is replacing the use of the prime rate The floating rate note (FRN)

market developed initially as an extension of the credit market and, when banks were the principal investors, it was natural that Libor became the principal reference rate. However, as the investor base widened away from commercial banks and to the extent that FRNs develop much to protect against an escalation of rates? into highly traded and liquid instruments, the argument for Libor as a base rate quickly erodes. This has been shown by the increasing use of Limean and Little as reference rates in

For instruments that are Eugene H. Rotberg primarily designed for non-bank investors, Libor should be

SWEDEN'S borrowings at float-ing interest rates were origin-ally done in the syndicated regarded as "investors of last credit market and it was natural however, be better performed through various back-stop facili-

Not necessarily appropriate

FRNs that are widely traded and thus have a high degree of liquidity and, even more so, short-term Europotes should be priced on the basis of alternative investment vehicles.

These might be Treasury bills, commercial papers, bankers' acceptances, CDs, etc. The notional lease rate should be the rate for the least risky and most diquid instrument. which is usually the Treasury

As AAA-rated paper by sovereign borrowers obviously represents a higher quality paper than bank CDs, the former should carry a lower interest rate than the latter. Since the CD rate is normally below Libor, this also means that there is no reason to use Libor as a reference rate.

As the Europote market develops further into a parallel with the commercial paper market in the U.S., it is likely that the rate structure will develop more fully based on credit risk in which case Libor will become of reduced eignifi-cance. As such instruments will appeal to the treasuries of corporations, institutions, commercial banks and to central banks, they will develop their own rate structure without reference to Labor.

In this area the dollar markets are likely to leaft, but the same fundamental argument holds for other currencies. That development is however, ham pered in those countries where the authorities do not pe foreign borrowers in the short markets. Such restrictive policies will continue to preserve the domestic banks ability to maintain artificially high lend-

Peter Engstrom



Peter Engstrom, Director of the Swedish National Debt

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#### International Capital Markets 11



Alan Moore, Group Treasurer of Lloyds Bank

#### Use for loans on the balance sheet should be assured

(London Interbank Offered to use only prime names who Rate) as a pricing mechanism, would have paid Libid for a decoupled with the concept of posit and rather less than that rollover lending, facilitated the major role played by banks as international financial intermediaries over the past fifteen

The roll-over loan technique meant that the medium-term loans needed by borrowers could be funded by banks from shorter-term deposits without interest risk. The Libor pricing mechanism meant that many banks without established customer deposits in U.S. dollars, especially new ones, that

Libor will undoubtedly remain a necessary basis for loans to borrowers whose paper would not be marketable to

investors and wherever a wide degree of syndication to second and third tier banks is involved.

oined the market could be ket even to prime banks reasonably sure of obtaining funds from the interbank market at the reference rate and thus earn the risk margin attributed to the loan. Libor's universal use was

hriefly challenged by Prime Rate" when Prime Rate" when that country's regional banks entered the market and borrowers were attracted by nominally tiny margins over Prime Howèver, Prime Rate is not itself a cost of funds and borrowers soon came to realise the inbuilt additional profit margin—the formula lacked the apparent "equity"

tition from inherently cheaper variants of the same formula, such as Limean and Libid and even son-related reference rates such as U.S. bankers acceptances or Treasury bills. A parallel development was that facilities using the lower variants of Libor were often in the form of negotiable paper in-tended not to stay on banks'

In 1984 Libor faced compe-

balance sheets but to be sold to Investors who placed deposits

THE DEVELOPMENT of Libor with banks generally preferred posit and rather less than that if the investor required a negotiable Certificate of Deposit (CD).

Investors can therefore repard negotiable instruments is gard negotiable instruments issued by first class borrowers as attractive if they offer a better rate than bank CDs. Hence the ability of investment bankers to

promote and sell issues based rate than bank CDs. It cannot be said that banks in general view this develop-ment with favour but the mar-

ket place is a dynamic one and must reflect competitive forces. Libor will undoubtedly remain a necessary basis for loans to sorrowers whose paper would not be marketable to investors and wherever a wide degree of syndication to second and third tier banks is involved.

Such banks do not have access to primary deposits on the forcer

to primary deposits on the finest terms and to them Libor cer-tainly reflects the cost of funds. Prime banks may find that in-

vestors who previously bought their CDs, at i per cent per ansum under Libid—effectively per cent per amium under Listor—how buy borrowers paper instead. The cost of funding in the Eurocurrency marto regard any pricing formula other than Libor with deep mis-giving, although occasionally justified if alternative sources of funds such as U.S. commer-

By far the greater proportion of Eurocurrency loans will, however, continue to be financed out of the wholesale interbank mar-

The current spate of issue based on less than Libor may abate as investors become saturatéd with borrowers paper and more of it returns to the secon-dary market. While Libid may be an adequate and feasible basis for negotiable paper, the future of Libor as a basis for banking loans that stay on balance sheets should be assured.

If a healthy, broad participation in syndicated lending is to be maintained the pricing formula must reflect the cost of funds to a wide range of banks. Not to do so will eventually be counterproductive as the ac-tivity will be seen as insuffi-

Alan Moore

#### Too soon to be written off as an important benchmark

THERE is an active debate in the capital market. Will Libor stic bill floaters, commercial paper, bankers' acceptances. As Rate) continue as the respected benchmark for the pricing of floating rate securities and loans? Historically banks borrowed at the Libid rate (‡ per cent below Libor) and made commercial loans at a margin or "spread" over Libor to generate a lending profit.

Increasingly during 1984 and 1985 the margin over Libor pald by borrowers has come under

● In the floating rate note market the margins that prime borrowers have been paying have reduced dramatically. In 1984, for example, the Republic of Italy halved its borrowing spread against Libor between August and October. Even more remarkably. Credit Lyonnaic' remarkably, Credit Lyonnais' cost over Libor for 12-year financing dropped from 0.24 per cent in May 1984 to 0.15 per cent in September. Today the spread would be less than 0.10 per cent. • At the same time there has been an explosion of short term note issuance facilities which have translated the pricing

nave translated the pricing available on short-term money instruments to the medium-term floating rate loan market. Not only have margins come under pressure but the Libor benchmark itself has been challenged. Several borrowers have attempted to introduce new pricing formulas to provide sub-Liber pricing. The World Bank (twice) and Swedish Exportappealed to traditional floating rate note investors.

It is not surprising that issuers are contemplating the demise of Libor. It is in their interest to push the market that

From the investor's viewpoint the argument is very different.
If the market for floating rate instruments was simply pools of capital looking to achieve a ating return then there would be strong arguments for the decrease in the importance of

The internationalisation of capital markets has given investors access to a wide range of floating rate instruments—

portfolios diversify they will be willing to accept returns below Libor if they are still higher than other benchmarks avail-able in the U.S. market.

Unfortunately for the issuers the market for floating rate instruments is still largely a banking market where purchases are made on the basis of a spread, i.e. the difference between the margin on the floating rate instruments and the bank's funding cost. The only argument then for the demise of

If the market for floating rate instruments was simply pools of capital looking to achieve a floating return then there would be strong arguments for the decrease in the importance of Libor.

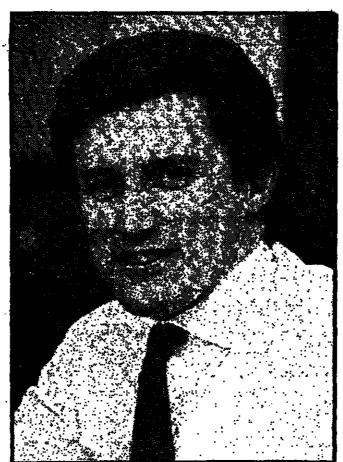
Liber is that a bank's funding cost is no longer Libid but at some level below this.

Interest rate swaps similar financing vehicles have been important in reducing the floating rate cost of funds to both U.S. domestic and foreign investors floating rate notes banks. Foreign banks have and linked to the Treasury Bill rate. gained access to the U.S. commercial paper market in increasure again reducing ing number, again reducing their cost of funding.

However, the bulk of the funding of non-U.S. banks is still through the interbank which suggests that Libor will remain as an important benchmark.

There is no doubt that the present trend to increase the types of floating rate instru-ments sold in Europe will increase, particularly for the prime borrowers, but it is too soon to assume that for the vast majority of issuers Libor will not continue to be the important pricing benchmark.

Peter Ogden



Peter Ogden, Managing Director of Syndicated and New Issues at Morgan Stanley International

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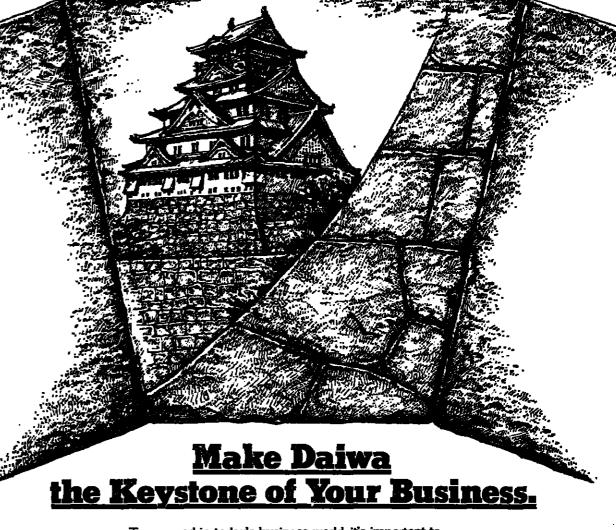
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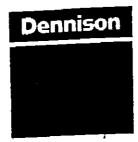
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February 28, 1985



## Keeping Our Eyes and Ears Open

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#### International Capital Markets 12

#### Developments in New York

New York's Commodity Exchange (Comex) and Sydney Futures Exchange Limited of Australia, sign final agreement to establish an international trading linkage between the two

A district court judge freezes all assets of ESM Government Securities, a Miami-based securities trader.

February 1985: Mellon Bank Corpn receives permission to open a con-

sumer bank in New York Trading in individual stock options on the New York Stock Exchange is authorised by the Securities and Exchange

Citicorp bids for Seccombe Marshal and Campion, a UK Commission (SEC).

discount broker. The New York Federal Reserve Bank proposes voluntary capital adequacy guidelines for government securities dealers.

Marine Midland sells \$23m in auto loans "cars" to Salomon Brothers for resale to institutional investors.

The New York Cotton Exchange plans to introduce a U.S. dollar index futures contract.

The New York Stock Exchange in talks with Pacific Stock Exchange on a possible merger.

Exchange on a possible merger.

Treasury begins to offer zero-coupon long-term bonds under its "strips" programme.

Three brokerage firms install automated systems to execute trades in over-the-counter (OTC) stocks.

The Financial Guerranty Insurance Company (EGIC) and The Financial Guaranty Insurance Company (EGIC) and Shearson Lehman Brothers announce new secondary market insured bond programme. December 1984:

New York Stock Exchange 1984 volume totals record

Salomon Brothers is leading underwriter with \$21.2bn in debt and equity issues for 1984.

The Board of Governors of the National Association of Securities Dealers (NASD) permits the expansion of Nasdaq notional market system from 1.102 securities to 2.600.

The Equitable Life Assurance Society to acquire Donaldson, Lufkin and Jenrette.

October 1984:

Comex launches options on silver futures. Foreign investors bid a total of \$46n for the first ever issue of "targeted" Treasury notes.

September 1984:

Citicorp announces plans to buy Scrangeour Kemp-Gee and Vickers da Costa, two British stock brokerages. Shearson Lehman Brothers announces plans to buy full control of L. Messel, a major UK stockbroker.

The New York Stock Exchange begins studying the

possibility of 24-hour trading.

Decision is reached by U.S. Senate and House conference repeal the 30 per cent withholding tax on interest paid

Dean Witter Reynolds offers first leveraged buyout fund available for individual investors,

Shearson/American Express announces completion of its acquisition of Lehman Brothers Kuhn Loeb.

Lion Capital Group, a government securities firm, files for April 1984:

Salomon Brothers offers record \$4.8bn of certificates of accrual on Treasury securities (Cats). Since their introd tion in 1982, sales of zero compon securities have topped

#### Commercial paper outstanding (\$m)

		companies	dealer-placed	desier-placed Domestic	dester-placed , Foreign	Directly-placed
End month  December 1984  November 1984  October 1984  September 1984  July 1984  July 1984  May 1984  April 1984  March 1984  January 1984  January 1984  January 1984	231,760 238,924 239,511 226,736 220,125 222,782 220,594 215,345 210,073 200,365 193,926 187,284	166,776 167,044 160,174 159,542 158,358 160,544 160,413 161,474 156,329 151,197 146,753 142,638	7 ctal  57,191  56,240  54,055  52,138  50,313  49,676  50,216  51,134  48,370  46,566  45,526  44,082  41,727	design placed Domestic 35,964 34,530 33,294 32,276 30,863 30,730 26,418 30,610 29,050 29,048 28,002 28,297 25,834 26,275	21,227 21,710 20,761 19,862 19,450 18,946 23,798 20,524 19,320 17,508 17,524 15,785 15,893	108,585 110,894 106,119 107,404 108,045 110,868 110,197 110,340 109,376 104,641 101,227 98,556 96,243 95,173
December 1983	181,348 182,475 177,150 176,125 172,407 172,674 171,642	137,297 132,128 130,280 129,375 128,520 127,318	42,124 39,134 39,247 39,136 37,927 38,645	26,275 26,113 25,463 26,081 25,741 25,296	13,621 13,784 13,055 12,186 13,349	92,994 91,633 90,239 90,593 88,673

	Non financial companies	Non financial companies Domestic	Non financial . companies Foreign	Bank-related paper Total	Bank-related paper Dealer-placed	Benk-related paper Directly-places
End month	Total			44,140	2,035	42,105
1004	64,984	58, <b>49</b> 0	6,494	42,181	1,996	. 40,185
December 1984	70,980	63,777	7,203	40.172	2,060	38.112
ovember 1984	79,337	63,688	6,649		1,959	41,066
ctober 1984	67,194	60,349	6,845	43,025		43,665
eptember 1984		54,866	6,091	45,675	2,010	45,090
nenst 1984	61,767	55,312	6,926	46,889	1,799	
ıly 1984	62,238		6,718	45,904	1,944	43,960
me 1984	60,181	53,463	6,817	48.034	1,696	46,338
116 1301	53,871	47,054		43,746	1.865	41.881
(ay 1984	53.744	47,123	6,621	41,384	1.767	39,617
pril 1984	49.168	42,518	6,650		1,765	36,958
arch 1984	47,173	40.907	6,266	38,723	2,087	37,636
ebruary 1984	44,646	38,104	6,542	39,723		35,566
angary 1984	43,378	37,731 .	5,647	.38,007	2,4 <u>41</u>	
ecember 1983		37,731	5,647	37,342	2,341	35,001
ovember 1983	43,378	39,446	5,576	36.817	2,195	34,622
ctober 1983	45,022		5,602	37,159	2,303	34,856
eptember 1983	45,845	40,243		37.438	2.353	35,085
Chf2macr vaca	43.032	37,677	5,355 -	35,980	2,367	33,613
ugust 1983	44,154	38,821	5,333 .		2.192	33,420
uly 1983	44,324	39,116	5 <b>,2</b> 08 ·	35,612		
nne 1983			<del></del>	Ř	search associate:	Rivka Nachoma.

#### Sharp competition as business booms

#### **Commercial Paper**

PAUL TAYLOR

THE U.S. commercial paper market is booming. At the same time the \$240bn market is being reshaped by new entrants who are seeking to tap it as a source of relatively cheap finance, and by sharper competition among the traditional dealers and

Last year the volume of outstanding commercial paper in the U.S. increased by a record \$50.4bn to \$238.5bn, easily surpassing the previous record increase of \$40.4bn set in 1981.

The increase has been spurred by key factors including

spurred by key factors including:

The cyclical upturn in business borrowing. As cash reserves ran down corporations turned to the debt markets to fund capital spending and other needs,

"The normal business cycle

was a major factor," says Mr Carl Leaman, vice president and manager of Salomon Brother's commercial paper

activities.

The sharply positive sloping yield curve and relatively large spread between commercial paper and U.S. bank prime rates have made the commercial paper market an even more attentive alternative both from attractive alternative, both from long-term debt and bank bor-

For much of 1984 there was a 300 basis point spread be-tween short and long-term U.S. interest rates, making shortterm borrowing particularly attractive. In addition, as Mr Brian Fabri of Salomon Brothers notes, "the spread between commercial paper rates and the prime rate was especially\_wide."

The boom in merger and acquisition activity, much of which has been financed on an interim basis by short-term bon: rowing in the commercial paper

Last year some \$70bn to \$30bn was raised to fund acquisitions and Goldman Sachs. leveraged buyouts. In many cases the commercial paper market provided a "first stop" for funding. Companies used the commercial paper markets before arranging long-term financing, says Mr Roger Lynch,

chairman of Goldman Sachs backed by insurance group's largely spurred by Paribas Becker's expertise in the commoney markets unit.

Foreign borrowers have
begun to tap the U.S. market
in search of cheap dollar fundin search of cheap do

in search of cheap donar rand-ing and what Wall Street com-mercial paper experts, like Mr Lynch, call "financial public relations" — a way to get a foreign company name known in the U.S. markets. Foreign companies have only

just begun to tap the U.S. commercial paper market, accounting for around 12 per cent or about \$30bn out of the total at year end. Among the new names introduced to the commercial paper markets last year were companies like Hong Kong's mass transit railway corporation and L. M. Ericsson, which both launched initial programmes.

guarantees.

more companies seem to be using guarantees," says Mr Lea-man. By the end of last year the volume of outstanding dealer-placed commercial paper backed by guarantees had risen to \$17.4bn, from \$16bn 12 months earlier. The increase in guaranteed paper represents a welcome boost to insurance company revenues, typically they charge between 0.25 and 1 per cent for lending their top-notch

credit rating to an issuer's paper programme.

The commercial paper market's flexibility offers particular attractions for companies involved in interest rate swaps.

The commercial banks have also begun looking increasingly enviously at the commercial paper business-spurred in part by the switch by some of their traditional corporate borrowers into this market

Other foreign companies tapping the U.S. market include a growing contingent of British and Jayanese banks and indus-Despite a decline in Decem-

ber — the first decline since July which largely reflected a slight downturn in foreign bank borrowing in the U.S. commercial paper market as the spread between Libor and commercial paper rates narrowed - most analysts believe the volume of foreign company commercial paper will continue to grow. "The dealers have gravitated overseas," says Mr Lynch of

 Competition for new business has spurred dealers to become to a "broadened" market em-bracing a wider range of issuers including some "second tier" companies whose paper is of Becker Paribus last year-

These factors are combining to turn the once "elite" U.S. commercial paper market open only to the best quality domestic corporate industrial and financial borrowers-into a rapidly expanding high-volume

This in turn is beginning to have an impact on the structure of the tightly-knit group of Wall Street dealers—led by Goldman Sachs, which has around 30 per cent of the mar-ket—who have long dominated the market.

Competition for new business the major Wall Street dealers, vately concede "The banks are increasingly innovative, leading acquisition of Lehman Brothers In the meantime most econoconsiderably expanded Shear-

mercial paper business—has probably made Merrill Lynch the largest commercial paper dealer in the U.S. Both Shearson and Merrill

Lynch are thought to have managed to hold on to most of manager in hold on to must or their new partners' old clients. But, as one senior Wall Street commercial paper expert notes, "the jury is still out." Mean-time a few issuers have switched dealers and the "droppings" have been eagerly snapped up by other market participants. by other market participants.

At the same time some of the more aggressive and smaller players in the market bave

begun expanding it through innovative deals, like those of teaming up new clients with bank letters of credit or insurance company guarantees.

The commercial banks have.

also begun looking increasingly enviously at the commercial paper business—spurred in part by the switch by some of their traditional corporate burrowers to commercial paper.

Led by Bankers Trust and more recently Citicorp and others, they have actively chal-

lenged the rules which bar them from securities under-writing in the U.S. Last June the Supreme Court ruled that commercial paper is a security
—dealing the commercial banks an apparent major setback. But the banks are fighting back. In the next few weeks the Federal Reserve Board and the courts are due to rule on another aspect of the key test case involving Bankers Trust which has maintained that it acts as an agent rather than an underwriter in the commercial paper market, bringing buyers and sellers together and collecting a fee for its service.

Even if the banks loose this test case they have already put in place plans to exploit the commercial paper market through other loopholes—like setting up separate subsidiaries. to handle their commercial

paper activities.

The commercial paper business has turned out to be the Two major Wall Street acquisitions, in particular, have changed the "league table" of most investment bankers pri-

mists expect the U.S. commerson's cosition in the market, cial paper market to continue while Merrill Lynch's purchase to expand this year-perhans

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## Oil no longer a prime area for secure lending

**Energy Loans** 

BACK IN March 1984, Continental Illinois Corporation explained to its shareholders that its energy lending at the end of 1983 amounted to \$5.2bn, or more than 17 per cent of total lending. Of these loans \$928m, were non-performing. The bank added that a further \$521m of its energy loans were \$521m of its energy loans were not classified as non-performing but had principal or interest payments past a deadline of 90

days.
What happened subsequently to Continental Illinois is well known and not a happy experience. What is less recognised is that it was the falling oil price and the U.S. natural gas glut that did most of the danage.

Gone, too, are the days when the Bank of Tokyo, Bank of Montreal, Fuji, Mitsul, Mitsul, bishi, Credit Lyonnais and CIBC could easily attract other banks into a C\$950m limited recourse project loan to Quintette Coal of British Columbia. The Quintette mine's columbia. The Quintette mine's columbia to present which a potential output of 5 million tonnes a year was aimed at a Japanese market which vastly over the safe of the marks of the banks guarded against it, but not against the potential costs put the coal well above world prices.

At the beginning of the decade, Willard Butcher, the chairman of Chase Manhattan, thenfully forecast that the oil and gas industry alone would require around \$100hn a year for capital expenditure, during five leases were falling over the safe of the parks are wurled about the oil companies themselves. Nor does that the oil and atmosphere of scarcity, looked it is swiser than it looks. If what the banks are wurled about the oil of the chairman of Chase Manhattan, cheerfully forecast that the oil and gas industry alone would require around \$100hn a year for capital expenditure, during five leases to project loan to be recognised. Energy, in an atmosphere of scarcity, looked it is wiser than it looks. If what the banks and the energy market looks black it is wiser than it looks. If what the heast of the loans summarised at all, it is that 
for capital expenditure, during is that it was the falling oil price and the U.S. natural gas glut that did most of the damage.

Certainly there is nothing about the present energy market that would suggest it is a prime area for secure lending. The dil price appears with most forecasts poluting downward.

Gone are the days when hanks and oil companies together ever expected to rise as ould underestimate the final cost of the UK Forties field by a factor of three, and yet make the final cost of the UK Forties field by a factor of three, and yet make the final cost of the UK Forties field by a factor of three, and yet make the final cost of the UK Forties field by a factor of three, and yet make the final cost of the UK Forties field by a factor of three, and yet make the final cost of the UK Forties field by a factor of three, and yet make the final cost of the UK Forties field by a factor of three, and yet make the final cost of the UK Forties field by a factor of three, and yet make the final cost of the IR Forties field by a factor of three, and yet make the final cost of the UK Forties field by a factor of three, and yet make the final cost of the UK Forties field by a factor of three, and yet make the final cost of the UK Forties field by a factor of three, and yet make the final cost of the IR Forties field by a factor of three, and yet make the final cost of the IR Forties field by a factor of three, and yet make the final cost of the UK Forties field by a factor of three, and yet make the final cost of the IR Forties field by a final five in the development costs and th

that nuclear power could be very expensive when the Wash-ington Public Power Supply System (WPPSS) defaulted on

Equally the banks became Once again the risk for the banks over the eight years of project loan repayment was seen as slow development and the banks guarded against it, but not against the potential build-up of surplus capacity in the industry.

Precisely when the assumpfearful of the risks of rapid

All too frequently, as with Elf in Angola or Phillips in Ivory Coast, the oil majors wanted project finance in areas of high political risk and had some difficulty finding it.

In comparison, areas like the North Sea with comparatively little political risk attracted large numbers of potential pro-ject lenders. But here some majors saw little reason to pay higher margins and funded much of the activity themselves.

The result from the off industry's point of view was often an attempt to link high political risk project lending with a slice of the North Sea action. The result from the bankers' point of view was to increase competition in project finance in stable areas; bence the increase in limited recourse leading and pre-completion.

With project lending on North Sea projects in a period of luli, the future patiern is difficult to read. None the less

its impact is principally to ex-tend the period of the loan. The banks specialising in this tind of finance, notably Ckt-corp, National Westmanter, a year.

Canaranty and among If the major partner in such

will have run estimates of potential pay back periods based upon far lower prices than those prevailing at present. They will know the parameters

of risk.

More crucial is the timing of the point when the whole of the risk falls on the project itself as the loan ceases to be guaranteed against the company will not meet a wide open door when it looks for project iton is wrong at this poset, maybe three years into a new credits created by past development of mature fields are beginning to run out.

This said, it is extremely unlikely that a seasoned oil company will not meet a wide open door when it looks for project finance to lay a little of the mature. tion is wrong at this point, maybe three years into a new project, then timings can get difficult. While for a large company there really is no such left in some quarters considerablean, for smaller borrowers the banks want to use.

Larger risk

This pimpoints a risk larger than that of the failing off price; the problem of taxation. White tax is now lower than it has been in the Nouth Sea, banders have to assess probabilities in ten years time. Precisely because the pressure that it is the precise of the pressure that it is the pressure that the pressure that it is the pressure that the price of cause tax is now low, it is more probable that it will rise than fall.

panies, perhaps buying in to Chris Crogg is editor fields like Forties and borrow- Energy Economist.

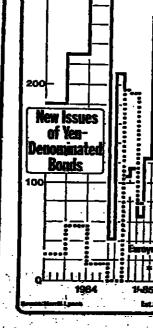
more cautious. While the fall ing to do so, make the assump-in the off price itself is difficult, tion that much of their petrolearn revenue tax (PRT) can be offset against further ex-ploration and development. The PRT bill comes around twice

future down a little, the smaller borrowers can be caught having to pay the bill out of cashflow pre-viously assigned to the banker. Furthermore some of the tax

Corporate risk is less interest ing. Syndicaetd lending can be less profitable and, as one bankers put it "project finance lending is just more exciting."
As BP an dother oil companies
move towards "disintermediation" and cut out the banks,
some banks are fighting back by acquiring significant oil exper-tise. Who will take more of the project risk over the next decade is a matter for very detailed negotiation.

## **Yen Bonds** -**Yields** to Maturity

016 916



#### Period of change

Yen Bonds

THE YEN bond markets are going through a period of change. They are gradually being opened up by the Japa-ness Ministry of Finance, fol-lowing pressure from the U.S. Late in 1983 a committee of

U.S. and Japanese finance offi-cials was formed to discuss the liberalisation of the Japanese financial markets. A report published in May last year included a step-by-step programme to ex-tend the range of borrowers allowed to tap the bond mar-kets and loosen the rules for

making issues.
Changes were planned both for the Euroyen market — bonds issued on the international market — and for Samurai bonds—those launched on the domestic bond market by foreign borrowers.

As a result, the European mar-ket — which had been the pre-serve of top-rated supra-national and sovereign borrowers since opening in 1977 — can now be tapped by a range of corporate borrowers both Japanese and

foreign. Since December 1 1984, when since December 1 1984, when the market was opened to non-Japanese corporate borrowers with at least a single A credit rating, a flood of such issues has appeared, with rivals scrambling to be first in. Most deals have been for U.S. companies, able to swap the pro-ceeds back into dollars at

ceeds back into donars at attractive rates.

As a result, the market has become somewhat overloaded with paper, for though the borrowers were ready for the market's opening, there has not yet been a sufficient build-up in

investor demand.
While it was expected that the usual Europond investors would also buy Euroyen issues, dealers question whether much of the paper has been effec-tively placed with end investors. The yen has suffered along with other currencies from the strength of the dollar, which has attracted investors into Eurodellar bonds. Only recently have investors begun the Ministry for an issue, has diversifying away from dollar been abolished and there is now

offer yields around ? per cent, which is low by Eurobond standards. Higher yields are available even in the Deutsche-Mark bond market.

Yields on Euroyen issues are lower than in the domestic Japanese bond market, although it is difficult for small foreign investors to deal in domestic

So far Japanese companies market even though permission make fixed-rate bond issues, and to 100 companies to make issues

convertible into equity.

As yet the Ministry of Finance has not lifted the 20 per cent withholding tax invited on the interest paid on issues from Japanese borrowers. The tax would have to be paid by the borrower, so raising its cost of funds, if investors were to be attracted in But this tax is expected to be repealed from April 1 this year, and already a number of Japanese companies are lining up to make

non-Japanese securities houses to lead manage Euroyen issues. However, most of the Euroyen issues made so far have been led by one or other of the big four Japanese securities houses The major European and U.S. issuing houses have made bids for business but have met with

The market has been hampered recently by fears of an increase in Japanese interest rates to support the currency. After the rush of Euroyen issues in December and January, a luli in activity has December and followed. Despite

followed.

Despite the insuspicious start to the more open Europen market, bankers are optimistic that the sector will become an important one in the Eurobond market.

The Samural market has not been killed by the widening of the Europen market by any means. As is the Europen market, conditions have not been favourable of late, and a number of new issues have been postponed in the last couple of months. However, a record level of issues are expected in April with 10 borrowers due to make issues totalling Y250bn or more.

This market is mainly used by international agencies and

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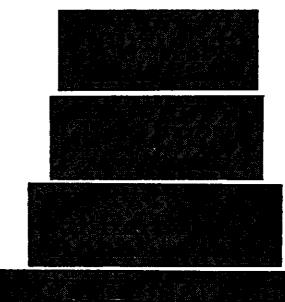
by international agencies and sovereign borrowers, although a handful of U.S. companies have issued Samurai bonds. The Ministry of Finance exerts greater control over this market than over the Euroyen market, but this too has been subject

to liberalisation moves.
The quenting system, where borrowers had to register with no maximum size for an issue from a top-rated, AAA borfree yields around 7 per cent, rower. Lesser raied borrowers down to single A-can also

make Samural issues.

The market has been used by China for its first post-Revolution bond issues. Two deals—a Y20bn issue by the Bank of China in 1984 and a Y20bn issue for China Inter-Y30bn issue for China International Trust and Investment in January 1985—should pave the way for that country's rehave not tapped the Euroyen habilitation in the international bond markets.

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A creative approach to finance

### Record turnover achieved despite some traumas

#### Fixed-interest **Eurodollar Bonds**

MAGGIE URRY

DESPITE some traumas the Eurodollar fixed rate bond market broke all records last year. Not only was new issue volume up from \$19.1bn to \$27.4bn (according to Merrill Lynch figures) but secondary market trading was at record

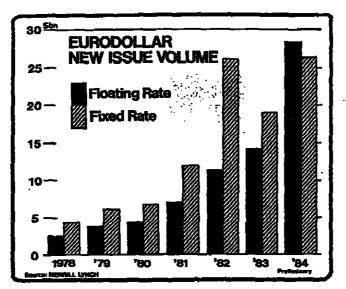
Yet last summer some bankers were predicting the end of the market, following the repeal of U.S. withholding tax. That tax had been levied on That tax had been levied on interest payments made to foreign holders of U.S. bands, and its removal, some argued, would entice the buyers of Eurobonds to buy directly from the U.S. and pick up higher yields in the process.

That has not happened yet, and many bankers say it will not happen. The effects of the tax change have been nothing

result of these, corporate borrowers can now make issues of bearer bnds-bonds where the actual certificate is evidence of ownership and there is no register of holders—direct from the U.S. rather than via an offshore subsidiary.

The regulations have also re-

sulted in the issue by the Treasury and some of the Government agencies, of bonds targeted at overseas investors.
These cannot be made in bearer form but must use a special registration system. Effectively the bondholder is anonymous, but the U.S. Internal Revenue may at some time require proof that the holder is not a U.S. person.



last few years. Not only have fall.

would entice the buyers of Eurobonds to buy directly from the U.S. and pick up higher yields in the process.

That has not happened yet, and many bankers say it will not happen. The effects of the tax change have been nothing like as monumental as some experts believed—so far. The longer term effects are yet to be discerned.

The tax changes were accompanied by a massive set of new regulations covering Eurobond to buy directly from the uses sales and expenses from the u.S. and pick up higher the with a good response from the use with a good response from the use with a good response from the use with a good response from the with a good response from the use of oblar bonds offered high yields the courtencies, and the programme of overseas sales, which the Treasury committed itself to, will continue on the same basis.

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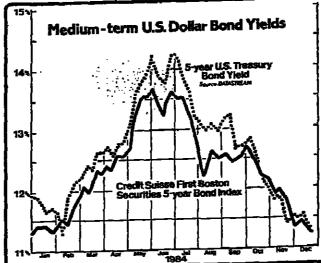
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But now the Eurodollar bond on the same basis at the programme of overseas sales, which the present the programme of overseas summer—but there have been some and the pou



The techniques of pricing an selling issues have also become much more of a science. And lead managers have had to work harder in designing new ideas. harder in designing new ideas

to attract investors. Fierce competition between the issuing houses has pared their profits to the bone. New issues have generally traded at a level where most of the com-mission due to the syndicate managers has been handed over

Even during a period of falling interest rates—such as last autumn — investment bankers were pushing down new issue yields ahead of the decline issue yields ahead of the decime in rates. That often meant that paper was left on underwriters books until market rates had caught up, and the positions could be sold profitably.

In the first months of this year, new issue managers could not even do that. Fears and

not even do that. Fears and some signs of rising interest rates have led to a "buyers

underwriters' books.

The investment bankers re-The investment paneers response is to come up with more imaginative types of issues. These often become fashions for a short while, a series of issues appears carrying the new feature, then the market decides it has had enough, a few last deals are done and meet a poor response, then they fade.

Last autumn saw just one such fad-warrant issues. Even then fears that the dollar's upward trend would reverse encouraged investors to buy debt warrants—a low cost investment which gives the holder the right to buy a bond sometime in the future, usually with a coupon rate close to current market levels.

Adding a warrant to a bond issue not only helped to sell the bond, but added some value to enable a swap to be arranged at a time when swaps were hard:

For a time nearly every issue came with warrants, and as the market began to tire of them. the warrants became more and more attractive, until one appeared with a 10 year life. Eventually warrant prices crashed and the fashion was

strike." As a result a quantity the issue of zero-coupon bonds, of new paper, often priced just below the market, remains on proceeds to buy U.S. Treasure bonds by stripping the coupons, which were then sold separately, The yields on these stripped Treasuries were often a point higher than those on Eurodollar zero issues, allowing the borrowers to make a tidy profit

without putting a hefty bond issue on to their balance sheets. Fashious change fast, and the new season's lines are already beginning to appear. Convertible issues where the fixed rate bond can be switched into the borrower's shares at a pre-

determined price could become a significant part of the new issue volume this year.
Investors can benefit from a rise in the stock market, while still taking a higher yield on the bond than they would on

the company's shares.

Another likely trend is the issue of warrants to switch into a bond denominated in a different currency. By setting the exchange rate for the purchase of the new bond at current levels of the dollar, the

investor is protected from a fall in the exchange rate.

But nothing will help the fixed rate Eurodollar bond market to a further record year in 1985, if there is a sustained here market couled by inches bear market caused by rising interest rates.

#### Rapid growth and broader appeal

**ECU Bonds** MAGGIE URRY

THE EUROPEAN Currency Unit is now one of the most important currency sectors in the Eurobond market. In 1984 the ECU ranked fourth after the U.S. dollar, the Deutsche Mark and sterling in terms of the value of new Eurobond issues raised in the currency. Yet the first ECU Eurobond

The ECU is the currency unit of the European Comunity, and is a basket made up of the currencies of individual member-states, weighted according to their relative importance in the Community's trade. It was created by the EEC in Decemher 1978 and officially launched in March 1979, becoming the

market mirrors the increasing rency diversification away from the dollar. national banking system, and the greater understanding of the unit as a currency which both borrowers and investors wish to use.

The dollar.

ECU bonds offer a much higher rate of interest than Deutsche Mark bonds, the more obvious choice.

broadening. The last year has seen many developments in the type of instrument issued, as well as in the kind of borrowers and investors.

The first ECU bond issue was launched in April 1981 for Société Financière pour les Telecommunications et L'Electronique, guaranteed by the Italian state telecommunications agency. The lead manager for to increase it from ECU 25m to ECU 35m due to strong demand.

Initially buyers of ECU bonds were mainly retail investors in the Benelux countries, and the Belgian and Luxembourg-based banks were dominant in issuing the bonds. The bor-rowers were mainly European the bonds were usually straight-

issue was as recent as 1981.

Now a wider variety of investors are attracted by the market. Many expect that the Community's sole unit of market. Many expect that the account in January 1981. It has, therefore, the official backing of the EEC.

The growth in the ECU bond market mirrors the increasing reacy diversification away from the control of the control of the dollar over reacy are least stabilise. As a result they are looking for a currency diversification away from

Although they have been fall-The ECU bond market is ing over recent months, yields not simply growing, it is also on ECU bonds are around 10 71 per cent for D-Mark issues. While the D-Mark is likely to be a stronger performer against the dollar, once the exchange rate trend turns, the ECU as a basket offers a less risky investment than picking out one currency. As the D-Mark forms around one-third of the ECU's value, the ECU largely follows the D-Mark's move-

> Investors in Switzerland and Japan for example have taken a greater interest in the ECU bond market. Institutional investors are also becoming significant buyers of ECU bonds. An important development, last November, was the first bond issue in the U.S. domestic bond market denominated in ECUs. The issue, for the EEC,

more sophisticated institutional investors in the U.S. More such

issues are expected. Issues have also been made aimed at Swiss investors, and lead-managed by the major Swiss banks. This year an issue structured for French investors

This issue, for the European Investment Bank, was the first since French investors were allowed to buy such paper with-out going through the foreign currency premium. About 80 per cent of the ECU 200m issue

Similarly the Italian Treasury has made bond issues in ECUs largely on the domestic market, but with a small portion avail-able in the Eurobond market. The borrowers, too, are

becoming more diverse. Although eight issuers still account for around 40 per cent of the market, and are mostly an increasing number of other borrowers. French and Italian borrowers, lacking a Eurobond market in their own currencies, are also big issuers of ECU

Corporate borrowers have made use of the market, such as Heron International, the private UK company, Chrysler and the Japanese Settsu Paper-Multinationals operations in Europe are finding that borrowing in the ECU is simpler than financing their businesses by raising loans in the individual currencies.

As well as fixed-rate bond issues, floating-rate notes are becoming more common in the ECU Eurobond market. There are still only a handful of such issues, floating-rate notes are tional and bank investors comdemand for floating-rate issues

As the market expands and more banks enter the field as lead managers, there is also a more important secondary market in ECU issues. Lead managers tend also to be market bond market denominated in makers, but other banks, in-ECUs. The issue, for the EEC, cluding British, U.S. and Japa-attracted good demand and was nese houses, have started

increased from ECU 150m to trading ECU bonds. This in itself encourages more investors. The main buyers were the more sophisticated institutional trading ECU bonds. This in itself encourages more investors into the market, attracted by the improved liquidity.

ECU interest rates are not merely a weighted average of the rates for each individual currency, though they do approximate to that theoretical average. Other factors of supply and demand also influence interest rates. Actual ECU yields have been higher than the theoretical value, but this spread has been narrowing.

Yields on ECU bonds have actually been coming down over the past year and the bond mar-ket has been able to cope with the increasing volume of issues quite comfortably.

In the last few months of 1984 the market shrugged off the revision of the basket weightings, which included the introduction of the Greek drachma to the system, rela-tively easily. New issues with open pricings often had their terms set tighter than expected,

However, in common with much of the Eurobond market in the early months! of this year, the "CU market ran a little ahead of itself and in response new issue coupons, which had gone down to as low as 91 per cent, have risen again to the 10 per cent area. to the 10 per cent area.

Nevertheless, the market is be one of the fastest expand find a shortage of the Eurobond paper.

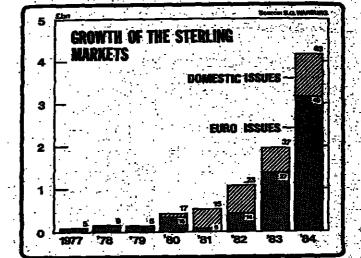
Within the overall sterling there are two dis-

#### Composition of the ECU basket (since September 1984)

Currency	% of ECU
Deutsche Mark	32.19
French Franc	19.15
Italian Lira	10.11
Dutch Guilder	10.17
Belgian Franc/ Lux. Franc	8.29
Danish Krone	2.72
Irish Punt	1,21
UK Sterling	14.90
Greek Drachma	1.25

## Buildog Yield Margin over Gilt-edged Long Buildog Yield Index

Bulldog yield margins over gilt-edged Treasury 131 per cent 2004-08 have narrowed as demand for the limited amount of paper has pushed up prices.



#### Impressive resilience shown

Sterling Bonds

THE STERLING bond markets have certainly come of age in the past year or so. Despite the weakening currency the markets have remained open almost continuously to borrowers, while investors often

within the overall sterling bond market there are two distinct sectors — Eurosterling issues and Bulldog bonds. Eurosterling bonds, like other Eurobonds, are mainly bought by international investors, often retail investors, and generally have a life in the five- to 10-year range. Borrowers of all types, super-print and supra-national, sovereign and corporates both UK and foreign, can tap the market.

Bulldog bonds are those issued by foreign borrowers on the UK domestic bond market, and are traded alongside the UK government bond market. These usually have a much longer maturity — around 25 years and are, by and large, bought by UK institutional in-

As the UK Government has been unwilling to tap the long end of the bond market, partly to reduce its borrowing costs and also to encourage UK corrections to encourage UK corrections to the bond

porates to return to the bond market, institutional investors have turned to Bulldogs for long-term high yielding paper. As one banker put it " investment managers no longer say Should I have a Bulldog in my portfolio' they say 'How should I structure my Bulldog port-

Dominant

As a result, the market's perception of the credit risks of international borrowers has matured, and yields on the different issuers' paper reflect more accurately their ratings. Added to that, yield margins over the benchmark giltedged stock Treasury 134 per cent 2004-08 have narrowed as demand for the limited amount of paper has pushed up prices.
It is now common for a new
Bulldog issue to be oversubscribed at issue as investors
scramble for the paper. However, bankers are not optimistic
that the Bank of England's imthat the Bank of England's imthat the Bank of England's imposed maximum issue size will be increased. As a result many issues are now priced and documented to allow further tranches of the same stock to

be issued to increase the trading liquicity in an individual issue.

The World Bank, for example, issued a second tranche of £100m last August to add to an issue of £100m made the previous November. The two will become one £200m stock in April this year.

The second issue was priced at a finer margin—of 85 basis points compared to 100 basis points—over the benchmark gilt-edged stock.

The queue for new issues is now around a year long, although many borrowers do drop out when it comes to making the issue, allowing others to be promoted in the

The first months of this year have seen a virtual halt on Bulldog issues as sterling's fall has upset the bond markets.
An issue for Spain, which had been planned to be launched in mid-January, was delayed when the Bank of England reintroduced Minimum Lending Rate on the day. However, despite a further rise in interest rates and fall in the exchange rate, the issue was successfully launched in February.

Fixed rate Eurosterling bonds from top class borrowers now yield quite a bit less than UK Government bonds with the same maturities. In recent months the sector has been boosted by heavy foreign buy-ing of the stocks, as investors have looked for alternative currencies to the dollar. Not only is sterling perceived to have reached bottom against the dollar (although that low

New issues in this market are tightly controlled by the Bank of England which operates a queuing system and imposes a maximum issue size of £100m.

As the UK Government has been unwilling to tap the long of bonds. As well as the plain vanilla fixed rate issues, con-vertible issues and bonds with

equity warrants have been launched. The Eurosterling floating rate market has also developed along the lines of the dollar market. Investors are mainly banks with UK branches looking for assets deno

sterling.
Yields over the benchmark banking interest rate, London inter-bank offered rate, have narrowed and commissions shrunk as borrowers have been able to extract finer terms.

The floater market was used

earlier this year for the first bond issue to finance the pur-chase of UK mortgages. The chase of UK mortgages. success of the £50m issues, made by a vehicle company incorporated solely for the pur-pose of investing in a pool of 1,200 residential mortgages, could lead the way to many more such deals.

In the Eurosterling market, too, issue size is restricted to £100m. However, the limit can be circumvented if borrowers

entral back

Lehn

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gand

COUL

Coming down Some foreign houses have run the books on Eurosterling issues, though with a British

bank as a co-lead manager. more attractive to British in vestors since the Government brought the capital gains tax treatment of sterling bonds into line with the rules for UK Government bonds. Investors who hold bonds denominated in sterling and listed on a UK stock exchange, which do not have conversion rights, will not pay capital gains tax if the bonds have been held for more than a year. The ruling applies to bonds bought after March 13,

Eurosterling and Bulldog bonds also have the advantage over UK Government stocks of paying interest gross and not net of income tax.

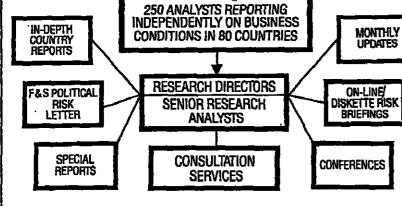
There seems little doubt that the market for both types of sterling bonds will continue to stach a tap to their initial borrowers attach a tap to their initial borrowing. Lloyds pioneered this route with its floating rate issue last July, which had a £100m tap. The sterling bond primary markets are still heavily dominated by the UK banks, companies — have largely with the Bank of England sterling bond primary was and rising interest rates is impressive. Yet the borrowers the UK authorities would most like to see in the market—UK dominated by the UK banks, companies — have largely avoided it.

The Bank of England: new issues of buildog bonds are tightly controlled

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وكدا من المعمل





Amsterdam Stock Exchange and (right) the foreign exchange dealing room of AMRO Bank

#### Central Bank's tight rein is eased

**Guilder Bonds** LAURA RAUN

THE bankers along Amsterdam's Herengracht canal and across town at the Dutch Central Bank have historically run Holland's capital markets in a cosy, gentle-manly manner reminiscent of a club. But recently Amsterdam-Rotterdam Bank (AMRO) joited its colleagues by teaming up with Honda Motor Co. of Japan to offer the first-ever equity-linked Euroguilder note.

The novel note issue with two warrants attached signifies a surprising loosening of the Central Bank's tight rein on the Euroguilder market and could lead to even further changes. The Nederlandsche Bank, the

contral bank, insists that it will continue to define limits for the Euronote market but a suppler touch is clearly evident. AMRO's innovative instru-

ment is noteworthy in the Dutch capital market, which still reflects the businesslike, conservative atmosphere emanating from Holland's "golden age" of the 17th century. Many of the stately canal houses which then testified to the business elite now house Holland's big

The Nederlandsche Bank works hand-in-hand with the commercial bankers to closely regulate the credit markets in a policy aimed at maintaining the guilder as a strong currency and fostering orderly trading. Capital flows in and out of the

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Nederlands, however, are per-haps the freest on the continent. Nevertheless, the Central Bank controls the markets for domestic bonds, Euroguilder notes and private placements by approving the size, maturity and timing of most issues. Like the Japanese, the Dutch do not want their currency to become so international as to lose control over its value,

But the Central Bank's paternalistic role is tempered by pragmatism and that is why AMRO was allowed to offer its unique equity-linked Euronote, a competing banker explained somewhat enviously.

Apparent success

Honda floated F1 100m (\$26.32m) of 34 per cent five-year notes carrying two warrants, each of which gives the holder the right to buy 241 Honda shares at a price 21 per cent above the market price beginning May 8. Given the apparent success of the issue, similar paper seems likely to

Besides carrying warrants, another novel aspect of the Honda note was that a pro-spectus was issued, even though it was a private placement issue, as are all Euroguilder

In private placements, topootch banks, brokers and dealers are invited—tradition-ally by telex—to subscribe and the issue closes when all the

paper is placed.
Moreover, it has been specu

Exchange. In the past the secondary market in Euro-guilder notes has been maintained by the lead manager of

Bank is easing its grip on the volume of the Euroguilder market, which began in 1020 market, which began in 1969. The Nederlandsche Bank's presumed policy was to allow borrowers to tap the market each year for about one-fifth of the total Fl 8bn in outstanding notes. That is because Euronotes normally carry a five-year maturity so about 20 per cent come due each year. But borrowings surged from F1 1.98bn in 1983 to F1 2.3bn last year, where they are expected to stabilise during 1985.

Meanwhile, the domestic bond market continues to amble domination of Dutch Govern-ment loans. The State, which does not borrow abroad, accounts for more than 80 per cent of all new public bond

After years of escalating budgeting deficits, the centre-Minister Rund Lubbers has finally arrested public spending and reduced the fiscal gap. The budget deficit is expected to narrow to 8.4 per cent of net national income (NNI) this year, from 9.4 per cent last year. The public sector borrowing requirement is forecast to fall slightly from Fl 44.8bn to

Given the State's marginally smaller borrowing requirement more liberal monetary policy and the improving health of the than the West German Central lated that the Honda notes smaller borrowing requirement themselves may eventually be and the improving health of the quoted on the Amsterdam Stock Dutch economy, there is some

hope for an easing in interest rates. The balance of payments surplus on the current account, which has ballooned in recent

savings ratio is notably high because of forced savings through mandatory pension through mandatory pension plans. This propensity to save has avoided the "crowding-out has avoided the control of money as the the cost of money as the Government competes with individuals for credit.

Forced savings

Pierson Heldring Plerson, a merchant bank subsidiary of AMRO, however, predicts that the West German bond market will perform better than the Dutch market this year due to the German Government's sharply falling borrowing requirement. German bonds and Dutch bonds are usually viewed as

alternatives because of the close alignment of their interest rates and currencies. But international interest rates are nearly always the deciding fac-tor for the wide-open Dutch economy, in which foreign trade makes up more than 60 per cent of gross domestic product. In recent weeks the soaring

dollar has sharply forced up ininterest rates in the Netherlands, as in the rest of the world. Moreover, the guilder has weakened significantly in the European monetary system due to the Nederlansche Bank's

While Nederlansche Bank is sometimes more accommodating in monetary policy than Deutsche Bundesbank, the Dutch Central Bank likes to keep Dutch interest rates in tandem with German rates.

Thus the Dutch discount rate was raised a half percentage point to 5½ per cent on February 1, the first such hike in nearly 1½ years, following West Germany's Lombard-rate

Dutch interest rates, however, usually carry a 1-2 per-centage point premium over German rates due to the guilder's weaker position vis-a-vie the D.Mart market, a preserve of foreign— and especially Japanese— borrowers, no less than SwFr 74bn has been raised in vis the D-Mark. new money over the past five years. There now seems to be

Since the end of January short-term interest rates have surged as much as 140 basis points and the Government's latest bond issued carried an 8 per cent coupon, up from 71 per cent on the first two offer ings this year. Commercial banks have im

posed a half percentage point surcharge on their lending fees and are considering another half-point rise if the dollar continues climbing.
This bout of rising interest rates halted the bond market's

ascent, which saw the Central Bureau of Statistic's bond index recently reach a record high along with the share market. bond market was buoyed by declining rates for much of last year and a feared exodus out of guilder bonds and into Deutsche Mark bonds never materialised. Market partici-pants had worried that West Germany's repeal of its withholding tax on D-Mark bonds would draw funds out of

much better returns are naturally obtainable in the dollar sector, quite apart from the recent massive exchange rate profits. The Euro-Swiss franc has also SWITZERLAND remains one of the world's most abundant sources of capital. Last year, foreign Swiss-franc borrowings reached a new record of SwFr 40.94bn—the equivalent of over US\$17.4bn at average dollar externations and halos

Swiss Franc

Bonds

JOHN WICKS

dollar exchange rates—and have stayed at a high level during the first two months of 1985. International borrowers are

something of a stabilisation, however, and last year's figure

of SwFr 19.46bn was rather

The remainder of the foreign

borrowings total approved by the Swiss National Bank is made

up of finance and export credits granted by the banks. These fell

to a six-year low in 1983 but have since been picking up.

largely as a reflection of the

that the Swiss capital market should go on growing the way

it has. From the investor's point of view, the Swiss franc is much less immediately attractive than during the long years of its

upswing; early this year, its

trade-weighted exchange rate was at the lowest level since autumn 1982, while the currency has also lost some of its

traditional low-inflation differ

With bond and note coupons of up to 64 per cent, fixed-interest investments still show

ential.

Indeed, it is not self-evident

improved world economy.

below the 1983 record.

flotations

risen with the rest of the Euro-market, while growing competition from within Switzerland itself has recently included increased rates on time deposits and the banks' own mediumterm, over-the-counter bonds ("Kassenobligationen").

Foreign borrowers are

much in evidence

At the same time, Swiss shares have been booming and it seems that not a few major listed companies will be improv-ing their dividends. For all these rival attractions,

in evidence particularly in the bond and note markets. In 1984, the amount of new money raised by foreign Swiss-franc both domestic and foreign issues remain in great demand bonds jumped to a peak of SwFr 11.15bn. This was more than double that recorded for as with the international investing public. Apart from the broad selection of Swiss-franc paper with long and medium-term recent a year as 1980, as well as being substantially more than maturity, there is obviously the conviction that Switzerland's the SwFr 8.9bn accounted for by the corresponding net pro-ceeds (issue sum minus re-financing) of domestic traditional prosperity and the hardness of its currency is worth backing. Under-subscriptions seem to Even more considerable are

be a thing of the past — even though the secondary market for the amounts raised by mediumterm notes in the form of private placements. In this modestly-priced issues is not much to write home about.

From the borower's point of tively cheap and there is no longer the widespread fear of currency losses on redemption. After long being one of the

more conservative markets, the and floating rate issues, through tries and the OPEC block.

up well against a 4 per convertible and warrant loans, cent inflation rate. However, to such exotes as this month's to such exotes as this month's 60-year issue of SwFr 200m by the American company CPC International.

There are some signs that business might be slowing, though. Two potential foreign borrowers have already postponed bond issues this year so as not to have to pay 6 per cent in what might again soon prove an upwardly-mobile currency.

As yet, however, there has been no general decline in keenindeed, the Commonwealth of Australia is currently (until March 23) floating a total of no less than SwFr 500m in a twotranche private placement.

Whatever the case, the Swiss capital market is hardly threatened by a concentration of bad debts. Domestic creditors are rarely other than copper-bottomed, while foreign borrowers are usually carefully chosen. (Not all private placement addresses are first-class, but investor risk has been lessened by the improvement of the underwriters' information practices).

An idea of the cautious lending policies of the Swiss is given by latest National Bank statistics. These show that in 1984 almost three-quarters of total foreign borrowings (bonds, notes and bank credits) went to Western industrialised countries and a further 14 per cent to the World Bank and other international development org-Swiss franc sector now also anisations. Only the remaining offers any number of borrowing 12 per cent was lent to develop-patterns, from dual-currency ing and planned-economy coun-



A foreign exchange dealing room in Zurich

This announcement appears as a matter of record only.



#### **Midland Bank plc**

U.S.\$600,000,000

Floating Rate Certificates of Deposit 1990

Samuel Montagu & Co. Limited

Lehman Brothers International

Merrill Lynch Capital Markets

Bank of Tokyo International Limited

Banque Nationale de Paris

County Bank Limited

Goldman Sachs International Corp.

IBJ International Limited

Lloyds Bank International Limited

Morgan Guaranty Ltd

Orion Royal Bank Limited

Saudi International Bank Al-Bank Al-Saudi Al-Alami Limited Swiss Bank Corporation International Limited **Bankers Trust International Limited** 

**Barclays Bank Group** 

Fuji International Finance Limited -

E.F. Hutton and Company (London) Ltd.

Kidder, Peabody International Limited

Morgan Grenfell & Co. Limited

Morgan Stanley International

Sanwa International Limited

Société Générale

S.G. Warburg & Co. Ltd.

This announcement appears as a matter of record only.



#### **Kingdom of Spain**

Issue on a yield basis of

£60,000,000 113/4 per cent. Loan Stock 2010

Issue price £94.895 per cent.

Payable as to £30 per cent. of the nominal amount on application and as to the balance of the issue price for value not later than 12th July, 1985 with interest payable half-yearly on 24th March and 24th September.

Samuel Montagu & Co. Limited

Barclays Bank Group

**Hambros Bank Limited** 

**County Bank Limited** 

Kleinwort, Benson Limited

Morgan Grenfell & Co. Limited

S.G. Warburg & Co. Ltd.

Baring Brothers & Co., Limited

**Grindlay Brandts Limited** 

Hill Samuel & Co. Limited

Lloyds Bank International Limited

J. Henry Schroder Wagg & Co. Limited

Banco de Bilbao, S.A.

February, 1985

#### Tight control by the Bundesbank

#### Deutsche Mark **Bonds**

MAGGIE URRY

UNLIKE MANY other currency sectors of the Eurobond mar-ket, Deutschemark-denominated Eurobonds are still fairly tightly controlled by the financial authorities of the currency's ome country.

The restrictions reflect the Bundesbank's desire to maintain control over the currency, a desire which has also slowed the acceptance of the European the acceptance of the European the screen and the screen are the screen and the screen are the screen and the screen are the s Currency Unit in West Ger-

However, the Bundesbank is beginning to open up the German capital markets in response to the increasing inter-nationalisation of the world's financial systems. One of the first moves was the lifting of withholding tax levied on foreign holders of domestic foreign holders of domestic Whereas in the Eurodol'are bond issues. This repeal followed the same move made by

he U.S. authorities last sum-

The withholding - or coupon trae withholding — or coupon tax had been at a rate of 25 per cent, effectively discouraging investors from buying domestic bonds. Those investors tors were the mainstay of the D-mark foreign bond market. The tax repeal was intended to boost capital inflows to West Germany and so help to maintain the currency's value against the strong dollar. To some extent the move worked and inflows to the domestic markets increased — leaving less money to chase the supply

of issues in the foreign bond market. The D-Mark/dollar exchange rate has continued under pressure however, giving investors another reason to avoid the foreign bond market. In recent months that market has suffered an imbalance between the supply and demand for paper which has pushed interest rates up and resulted, in February this year, in a ban on new fixed rate foreign bond issues.

timing of new issues, the D-mark foreign bond market has an issue calendar. This is set every few weeks by a sub-com-mittee of the Central Capital Markets Committee.

The sub-committee consists of representatives of the same major issuing banks—Deutsche, Dresdner, Commerzbank, BHF Bank, Bayerische Veriensbank, and Westdeutsche Landesbary. —plus a senior representate ? of the Bundesbank. So when conditions in the market deteriorated badly the

sub-committee could call a halt sub-committee could call a nart to new deals. The calendar does not, however, include equity-linked issues — convertible bonds and bonds with equity warrants — and some such deals were brought during the new issue moratorium the new issue moratorium.

The sub-committee is the centre of attention for the Bundesbank's next in \s to liberalise the market. At present all the members are German banks, and other German banks must negotiate with these members for a date on the calendar if they wish to lead manage an

Foreign banks, however,

even if resident in Germany, cannot ask for a place in the queue and so cannot lead man-age foreign bonds issues.

Other countries are opening up to foreign banks though, usually on a "reciprocity basis. If German banks are to move into those markets, the German market must be opened up to banks from those countries.

The major German banks are not keen to have the market opened in this way, particularly at a time when issue volume is being restricted. They argue that allowing foreign banks in would weaken the control over

After a year when yields had been falling in the D-mark foreign bond market, the fall has been reversed in the early months of this year. The rising dollar, and an expectation that U.S. interest rates will rise once more, has disturbed the German bond market.

For instance, an issue due to be launched on February 13 for the Inter-American Development Bank, which was post-poned when the new issue ban was imposed, reappeared on

March 6 with a coupon around a point higher than had originally been expected.

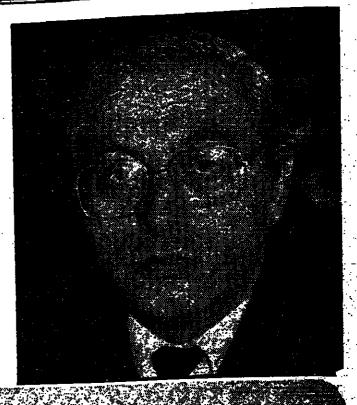
The latest calendar has been set to raise a total of DM 1.2bn through fixed rate issues, about half the monthly average of issues during the autumn last year when the market was strong. January's total of strong. January's total of DM 3.91bn, which contributed to the market's overloading and consequent issue ban, came at just the time when the market was weakening.

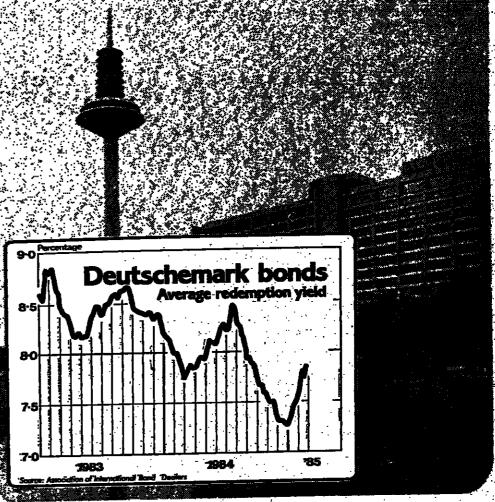
If foreign banks had been allowed to bring new issues, me amount raised in January might have been yet higher, and the chances of agreeing a halt much

Discussions over the potential changes are at an eray stage and action is not likely until later this year.

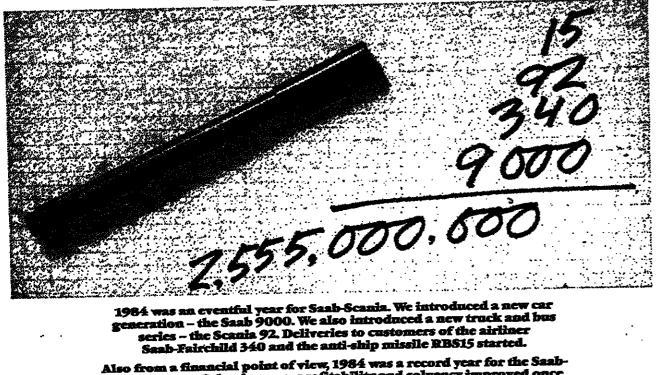
The authorities have also resisted the issue of bonds will a floating interest rate. The country's low and stable inflation rate has, in the past, limited demand for flifters. But this, too, could change in response to more volatile in-terest rates.

LEFT: The skyline of the banking centre in Frankfurt: the German banks are not keen to open up their market to foreign banks, particularly at a time when new issue volume is being restricted. RIGHT: Herr Karl Otto Poehl, president of the Deutsche Bundesbank, which is beginning to open up the German capital markets in response to the increasing internationali sation of the world's financial system. BELOW: The Bundesbank: one of its first moves toward liberalisation of domestic markets has been the lifting of withholding tax on foreign holders of domestic bond issues





# Summing up



generation - the Saab 9000. We also introduced a new truck and bus series - the Scania 92. Deliveries to customers of the airliner Saab-Fairchild 340 and the anti-ship missile RBS15 started.

Also from a financial point of view, 1984 was a record year for the Saab-Scania Group. Sales, income, profitability and solvency improved once more. The fact that we increased our competitiveness both in Sweden and abroad is clearly shown in our Annual Report:

Consolidated sales increased during 1984 by 25% to SEK 25,956 m, the foreign markets accounting for 62%. Income before appropriations and taxes improved by 26% to SEK 2,555 m corresponding to 9.8% of total sales. Pre-tax return on total assets rose to 16.4% (15.8). The corresponding return, calculated on total assets, non-interest bearing liabilities excluded, amounted to 23.7% (22.3). The financial position of the Group was further strengthened and the solvency ratio amounted to 49% (48). The profit per share after full taxes was SEK 56.35 (43.15).

Capital expenditures for property, plant and equipment totalled SEK 1,853, an increase of 62% compared with the year before. In addition, we invested SEK 1,905 m (1,623) in development and research.

Leaders in specialized transport technology.



ter information and a copy of the Annual Report/Press Release, please fill in and return the co Saab-Scania AB, Corporate Communications and Public Affairs, S-59188 Linksping, Sweden. Tel +4613180000.

Please send me a copy of the Annual Report/Press Release. Name:

#### Going through a sticky patch

#### Canadian Dollar Bonds

PETER MONTAGNON

CANADIAN dollar issues were last year one of the very few instruments in the Eurobond market that came anywhere near matching the appeal of the mighty U.S. currency. While currency adjusted returns in most major European curren-cies were negative, holders of Canadian dollar bonds could have earned an overall return in U.S. currency of 9.1 per cent in 1984, according to the U.S. investment house Salomon

At the same time the volume of new issues doubled to the equivalent of US\$2.2bn, Salomon Brothers states in its annual review of world bond markets. In the first two months of this year new issue volume was also

Eurobond market is currently attracted by high nominal cent by buyers in Switzerland going through a very sticky returns normally exceeding and only around 10 per cent by phase caused largely by the renewed sharp decline of the larger U.S. dollar sector of the Canadian currency against its bond markets.

Test very housever two

In early March the Bank of Canada was forced to draw heavily on its standby credit lines from commercial banks to support the currency exchange markets as it neared the psychologically damaging level of 70 U.S. cents.

That coupled with the general oversupply of paper in the Euro-bond market left many of the most recent issues languishing at very heavy discounts. Even a recent 12 per cent issue from the European Investment Bank the European investment Bank traded down to a discount of some 5 per cent on its 1001 per cent issue price in the first week of March, suggesting that coupons have some way to rise before the market can take off

For the fact is that investor behaviour in the Euro-Canadian dollar bond market has changed running apace which suggests that last year's total could easily be matched in 1985.

But these figures mask the dominated by retail investors in

Mgn yield anternative to the U.S. currency.

While the Benelux investors who are more coupon orientated backed away, these buyers, mainly in Germany and Austria and to a certain extent in Switzerland, stepped up their purchases of Canadian dollar instruments as part of their diversification out of the overly

fact that the Canadian dollar the Benelux countries who were

things happened. First the yields on domestic Canadian dollar bonds dropped below those available on U.S. treasury issues which had the effect of diminating the coupon differential between the two currencies in the Eugobond

market. Second, other investors, who are more currency con-scious than those in the Bene-lux area, latched on to the fact that Canadian dollars offered a high yield alternative to the

diversification out of the overly strong U.S. currency.

Canadian bankers reckon that some 60 per cent of new issues are now bought by buyers in Germany and Austria, 20 per

First the currency driven, and it explains c Canadian why the market is now in the doldrisms after the latest fall of the Canadian unit. Secondary market trading

continues to show good volume, however, partly because selves have become much mure active players, seeking arbi-trage opportunities between the Euromarket and their own domestic market,

At the same time bankers report growing interest in Canadian dollar bonds from the Far East with Japanese buyers particularly moving into both domestic and Euro-Canadian dollar bonds.

But for this process to accelerate there needs to be a revival of confidence in the currency itself, coupons may have to rise at least relative to those on U.S. dollar issues, and the market needs time to absorb the gint of issues still hanging over from



s a bank that has been providing personalized financial services to industry and private individuals for more than 45 years, we know that a smile cando much to set people at ease and brighten up the atmosphere. If it is said that a smile is contagious, then we want the whole world to smile with us in creating a happier place: for everyone to live in. You'll find a friendly smile waiting for you in our offices in the world's maior financial centres. We are



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